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**Disentangling local government
responsibilities:
International comparisons**



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Preface

This volume is a revised and expanded version of a report prepared in the summer and fall of 1992 for the Provincial-Local Relations Secretariat of the Ministry of Municipal Affairs, Government of Ontario. We appreciated the cooperation of Michael Jordan, Assistant Deputy Minister, and Debbie Oakley, Executive Coordinator.

Most of the interviews on which a substantial part of this report are based were conducted by one or the other of the authors. Two of our colleagues at the Canadian Urban Institute, Gillian Mason and Michael Miloff, helped us greatly by conducting interviews for us when they were in Halifax, Nova Scotia, and London, England, respectively.

The authors take full responsibility for the facts and opinions presented in the report. Our respondents should certainly not be blamed for any of it, only thanked for their most welcome and generous assistance.

Richard Gilbert

Don Stevenson

January 1993

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1. SUMMARY

This report makes two contributions to the disentanglement process. The first is a brief history of provincial-municipal relations in Ontario with particular reference to previous attempts to clarify provincial and municipal roles. The reforms of the late 1960s and early 1970s are covered in some detail.

The second is a commentary on relations between municipalities and other levels of government elsewhere. Several other jurisdictions are reviewed, including four Canadian provinces, the United States, Australia, Japan, Germany, the Netherlands, France, and the United Kingdom.

The report also reviews global trends affecting the role of municipalities, with relation to other levels of government and to the private sector.

The experiences in the other jurisdictions and the analyses of past Ontario reforms and global trends are then discussed in relation to the Ontario's current disentanglement process. This discussion leads the authors to the following conclusions:

- An effective disentanglement process is essential if local governments are to cope with the challenges of the 21st century.
- The disentanglement process must not be narrowly focused but be put in the context of a new look at the roles of the provincial and municipal governments in Ontario.
- A consistent philosophy needs to be followed in allocating responsibilities among governments. The subsidiarity principle used in Europe would be appropriate for Ontario—programs should be delivered at the lowest level compatible with effective administration.
- Effective disentanglement and local accountability require effective municipalities that cover the territory of urban regions.
- Too many local governments add to the complexity and cost of the system.
- Two-tier governments can undermine accountability.
- Single-tier governments offer the least entangled, most accountable and most cost-effective means of providing local services.
- Large metropolitan regions require region-wide coordination and standard-setting mechanisms.

- It is appropriate for large urban governments to have a larger range of functions than smaller more rural governments.
- Change may be needed more in urban than rural regions.
- Ontario's provincial-municipal relationship is the most entangled and complex in Canada, and more complex than most of the other jurisdictions studied.
- Disentanglement requires a simple provincial-municipal financial relationship. Revenue-sharing should be emphasized, and conditional grants minimized.
- Disentanglement and local accountability require a sharp reduction in the number of special-purpose bodies.
- Disentanglement and local accountability require a broad and flexible legislative framework, such as that being introduced in Alberta.
- It is appropriate, as is done in Europe, for municipalities to act as agents of the provincial government in the delivery of certain services.
- Local governments should be able to provide one-stop services for a wide range of 'people' issues including social assistance, community social programs, health, education, training, and employment programs.
- Local accountability would be enhanced if local councillors were elected, at least in urban regions, on the basis of organized local parties and platforms for which they could be held accountable.
- Strong local governments should have authority over a wide range of local and regional issues. This principle should be the most important objective of any disentanglement process.

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2. INTRODUCTION

2.1 THE DISENTANGLEMENT PROCESS

The Government of Ontario, in collaboration with the Association of Municipalities of Ontario, has launched a process known as "disentanglement" to reform provincial-municipal relationships. *Disentanglement refers to the unravelling of responsibilities now shared by governments in order to achieve delivery of services that is more accountable, efficient, and effective than at present.* The specific objectives of the disentanglement process are to determine which level of government should set policies for a particular program or service, which level is best suited to deliver it, and how it should be funded.

The disentanglement process is expected to take some years. Initially, five service areas have been selected for review: policing, social assistance (general welfare), roads, public transit, and property assessment.

Seven assumptions appear to impel the process. They are that disentanglement will:

- improve accountability
- reduce costs (chiefly by reducing duplication of administration)
- match revenue base to nature of expenditures
- strengthen the capacity for strategic planning
- extend public and employee understanding of government
- tighten fiscal management
- enhance intergovernmental relations.

The disentanglement process is being administered by the Provincial-Local Relations Secretariat within the Ministry of Municipal Affairs. It coordinates three committees (a steering committee of cabinet ministers and municipal politicians, a coordinating committee of senior provincial and municipal officials, and a work force impact committee of union officials and provincial and municipal officials) and five expert panels (on general welfare, roads, police budgets, transit, and assessment).

The main thrust of the present phase of Ontario's disentanglement process is to transfer to the provincial government the present municipal responsibility for funding and possibly for administering general welfare—the funding responsibility presently amounts to 20 per cent of

program costs. The process has resulted in provisional agreement concerning the following principles:

- neither provincial nor municipal taxpayers will experience significant increases in taxes or user charges as a result of disentanglement;
- shifts in financial burden between upper- and lower-tier municipalities will be minimized;
- unconditional grants to particular municipalities will, where necessary, be adjusted to balance the trade-offs in costs.

The expert panels have reported; their main job was to identify programs and services within the area of interest that are likely candidates for a successful transfer of funding and program responsibility to the municipalities.

An unresolved question is the time-frame for application and implementation of the changes in funding responsibilities. When this is resolved, and an analysis of the impact of the proposals on each municipality has been estimated, there will be a period of public consultation.

2.2 THE PRESENT REPORT

The Provincial-Local Relations Secretariat asked the Canadian Urban Institute to make two contributions to the disentanglement process. One was to provide a brief history of provincial-municipal relations in Ontario and the relevant aspects of federal-provincial relations. The other was to provide commentary on relations between municipalities and other levels of government in selected jurisdictions in Canada and elsewhere. The brief history comprises Section 3 of the present report. The commentaries on other jurisdictions appears in Section 4. They are discussed in Section 5.

The Institute was also asked to review global trends that affect the roles of municipal governments. These are most notably the rapid changes in Europe that include the decline of the nation-state, the ascendance of regions based on urban centres, and the European Community's principle of 'subsidiarity'—through which services are delivered at the most local possible level of government while broad policy direction is retained more centrally. This review appears in Section 6.

Section 7 of the report draws some conclusions about Ontario's disentanglement process based on the preceding analysis of what is happening in other jurisdictions.

2.3 THE APPROACH USED

The brief historical overview that comprises Section 3 of the report is an assessment based for the most part on readily available documents and the authors' personal knowledge and understanding.

For the balance of the report the main source of information has been interviews with persons directly or indirectly involved in local or central government in the various jurisdictions that were examined. Persons who were interviewed were usually given in advance information about the project and a list of questions to which answers were being sought. Examples of the information sheet and questions appear in Appendix A. Respondents are listed in Appendix B, which also notes some of the documents consulted.

Many of the interview notes appear in Appendix C. They are quite extensive, and provide considerably more information about some of the jurisdictions concerned than is contained in the main body of the report. One of the authors advised his respondents that specific remarks would not be attributed to them. Thus, the notes on the interviews he conducted do not appear in Section C; in these cases details may be made available on request.

The authors relied heavily on the information provided by and the opinions expressed by numerous respondents. The information and opinions were occasionally in conflict. Rather than spell out the conflicts—mostly a matter of a central versus a local perspective—we have usually given our best judgement of what is happening in particular jurisdictions. We take full responsibility for the information and opinions expressed in this report. Our respondents should not be blamed for any of it, only thanked for their most welcome and generous assistance.

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3. INTERGOVERNMENTAL RELATIONS WITHIN ONTARIO AND CANADA

3.1 PROVINCIAL-MUNICIPAL RELATIONS IN ONTARIO SINCE 1793

The early days

This section provides a brief historical overview of the development of provincial-municipal relations in Ontario. It describes in some detail the last major era of reform in the provincial-municipal relationship—the late 1960s and early 1970s. This period provides a case example of the last major effort to disentangle provincial and municipal responsibilities. As such, it offers a backdrop to many of the issues, the difficulties, and the potential opportunities of the current disentanglement exercise.

Municipal government in Ontario was established soon after the first European settlements. The first bill introduced in the legislative assembly of Upper Canada in 1793 was "to authorize town meetings for the purpose of appointing divers parish officers" including clerks, assessors, tax collectors, roads overseers, fence viewers, pound keepers and town wardens. It was not until the 1830s, however, that the first formal municipalities were incorporated.

The responsibilities of municipalities in Ontario have always been tied to the organization of the local government structure in the province. The municipal structure, in turn, was tied to the social and economic realities of settlement. The *Baldwin Act* (or *Municipal Corporations Act*) of 1849 set up a grid system for counties and townships throughout Southern Ontario and provided for villages, towns, and cities as urban municipal units.

The grid system reflected the prevailing mode of travel at the time—by horse and cart—and reflected the most efficient distances for providing services. Towns were established as service centres for the county or as the logical site for a mill. The mill towns of Lanark County, for example, are no more than ten or fifteen miles apart, reflecting an easy one-way trip of less than ten miles by horse and cart from the surrounding countryside.

The Baldwin Act

The *Baldwin Act* granted the municipalities wider powers than they had before, and greatly reduced central administrative control over local affairs. It was based on the premise that municipalities should be the major provider of government services. In short, it attempted to establish the principle of municipal autonomy and accountability by disentangling the two levels of government. The *Baldwin Act* defined municipal government in Ontario for more

than 100 years and, according to some historians, provided the basis for reforms in local government in Britain that were instituted in the 1880s and 1890s.

Even through the *British North America Act* of 1867—the constitution of Canada until 1982—did not mention municipalities other than to list “municipal institutions” as one of the legislative areas of competence of the provinces, municipalities spent the largest share of public money in Ontario for many years after 1867. In fact, even as late as 1910 the budget of the City of Toronto was larger than that of the whole of the government of Ontario.

The first half of the twentieth century

Until the early decades of the twentieth century, the municipal structure established by the *Baldwin Act* fairly reflected the province's social and economic system based, in the south, on agriculture and the horse. Where towns and cities grew beyond their original boundaries, the system was flexible enough to permit easy annexations. Thus Toronto, for example, had absorbed 34 surrounding municipalities by 1912 without much difficulty. Since most of the major centres of Southern Ontario were county seats near the centre of their counties, expansion by annexation created few serious problems. Provincial supervision and regulatory control over municipalities gradually increased, mainly due to financial difficulties faced by municipalities that had become too enthusiastic about risky railway ventures.

The system whereby municipalities were the major presence of government in Ontario lasted until the 1930s.

During the depression the municipalities, responsible for all welfare payments, were unable to cope financially. In Ontario they agreed to give up their right to tax personal and corporate income—which they had used since the 19th century—in exchange for assumption by the province of much of the responsibility for welfare. The province at the same time created the Ontario Municipal Board and the Department of Municipal Affairs, and strengthened its financial and other controls over municipal freedom of action.

The almost complete replacement of the horse by the car by the middle of the century had a profound impact on the pattern of urban settlement in Ontario and greatly enlarged the potential territory over which municipal services could effectively be provided. The *Baldwin Act* grid was no longer adequate for much of urban Ontario by the 1950s.

Metropolitan Toronto established

The creation of Metropolitan Toronto was the first major change to Ontario's municipal structure since 1849. It was also one of the first effective responses in the world to the problems created by urban sprawl beyond city boundaries. Ontario was quickly seen as a leader in municipal government as foreign experts marvelled at Metro's success in equalizing levels of service within its borders and constructing transportation, water, and sewer infrastructure in advance of need.

The apparent success of Metro Toronto soon led many in Ontario and elsewhere to the belief that a system of two-tier municipal governments covering urban regions was the most appropriate means of combining efficiency in providing local services with democratic access by voters to their local governments. If appropriately fashioned, such regional governments were seen as a means of restoring the municipal accountability that was gradually being undermined as the provincial government intervened to deal with region-wide issues.

The first attempt to apply the two-tier concept on a wider basis in Ontario came with the publication in 1965 of the report of the Select Committee on the Municipal Act and Related Acts (the Beckett report), which recommended regional government across the province based on stronger counties. Its recommendations did not result in any major changes.

The Smith Committee

The most thorough review of provincial-municipal relations undertaken in Ontario since the *Baldwin Act*, and indeed to this day, was the Ontario Committee on Taxation (the Smith Committee), which reported in 1967. It began by reviewing provincial and municipal taxes, but soon came to the conclusion that financial reform could not be effectively undertaken without a complete restructuring of the municipal system in the province.

It saw a parallel between federal-provincial and provincial-municipal relations. "For all its differences from federalism, it (the provincial-municipal relationship) has important elements of similarity ... municipalities are an integral part of a multi-level political system both as havens of democracy and as vehicles of public administration."

The report went on to articulate four principles that should govern provincial-municipal relationships: local autonomy, provincial responsibility, equalization, and assistance. It put particular stress on the principle of local autonomy and on the respect and encouragement of municipal institutions to perform the dual roles of fostering democratic values and administrative decentralization. It recommended a well-organized municipal system that should be accorded ample responsibility for the discharge of numerous important functions and a wide measure of authority over the quantity and quality of public services. Municipalities should be equipped with sources of revenue both adequate for the discharge of their spending responsibilities and sufficient to ensure direct accountability to the public.

It cautioned that "the principle of local autonomy is not a haven for municipalities too small or weakly organized to permit the responsible discharge of important functions. Nor does it sanction the endless multiplication of special-purpose authorities constituted for the provision of a single service often to the confusion of the electorate and to the detriment of public accountability."

The Committee became convinced that a legacy of the *Baldwin Act* had been the creation of too many small municipalities that "lack the necessary area, population, and resources needed to achieve financial and administrative adequacy, the essentials of functioning autonomy ... the effectiveness of such important spending functions as health and welfare becomes dissipated because of size too small to support the necessary range and standards of

field services ... Ad hoc authorities, such as those created in the health and conservation fields, provide government units of sufficient size at the expense of divorcing public expenditure from taxing responsibility. Worse still, such authorities induce growing reliance on appointed or indirectly elected officials to the detriment of the democratic practices that surely lie at the heart of local autonomy."

As its solution to the entanglement and complexity of provincial-municipal relations and the resultant undermining of municipal accountability that it observed in the mid-1960s, the Committee recommended a complete restructuring of local government in the province. Using as its main criterion a balancing of the principles of local access with efficient service, it recommended the establishment of 22 regional governments in southern Ontario and seven in northern Ontario. It divided them into metropolitan regions, urbanizing regions, and county or district regions. Together they would embrace all but a very few isolated local municipalities in the province.

The recommended regional governments were to be large enough to perform those functions that cover region-wide benefits with the greatest efficiency, which in southern Ontario would require a population of at least 100,000. The Smith Committee rejected the Beckett Committee's recommendation that the existing counties should form the base of the new regions, because it did not believe the counties to be an adequate basis for the performance of the proposed regional functions.

The Smith Committee recommended that the proposed regions should have a wide range of functions, including in whole or in part, assessment, tax collection, levying of non-property taxes (it suggested a provincial-local motor vehicle tax and a share of provincially-collected personal income tax), capital borrowing, planning, policing, fire protection, arterial roads, transit, sewage treatment, garbage disposal, water supply, public health, hospital facilities planning, public welfare, secondary education, regional libraries, regional parks and conservation. It suggested that the regional governments would not all need to have the same powers, and that the metropolitan regions should have responsibility for a wider range of functions than the county or district regions.

Smith proposed that the new regional governments assume many functions that had been carried out by special purpose bodies, particularly in the health and welfare area, and most provocatively, secondary education. The Committee also recommended a thorough rationalization of the "chaotic" structure of provincial grants to municipalities, another major contribution to provincial-municipal entanglement and the loss of municipal accountability.

The White Committee

The provincial government took the Smith Committee's report seriously. In the spring of 1968, the legislature appointed an all-party Select Committee to review the report under the chairmanship of John White, later to become the minister responsible for the Ministry of Treasury, Economics and Intergovernmental Affairs. The Select Committee sat continuously through the summer of 1968, provided commentary on each of the 347 recommendations in the Smith report, and proposed alternatives where it was unable to agree with the original rec-

ommendations. The White Committee's hearings and research engendered an unprecedented degree of knowledge and momentum among members of the Legislature of all parties regarding possible reform of the province's tax system and the provincial-municipal relationship.

The Select Committee accepted the basic rationale for the Smith Committee's recommendations on local government structure. In fact, it commented "The concept of regional government has become accepted in this province and this acceptance has obviated the need for protracted studies." It proposed that regional governments proceed in areas of the province where studies had been undertaken (Ottawa-Carleton, Niagara, and the Peel-Halton area) and that "the implementation of full regional government in Ontario would be accomplished during the latter half of 1971." The Select Committee proposed several changes to the Smith Committee recommendations: it suggested that one-tier, rather than two-tier, regional government was desirable in some areas; it rejected the Smith Committee's split between metropolitan, urbanizing, and county regions, suggesting instead that urban regions contain their surrounding suburban and rural areas; and it concluded that the province's restructuring of school boards earlier in the year made it unnecessary for secondary education to be made a regional government responsibility.

Design for Development and regional governments

The Select Committee report was followed closely by the release in late 1968 of the government's policy paper "Design for Development: Phase Two" in which Premier John Robarts and the Minister of Municipal Affairs Darcy McKeough set out the government's approach to reform of the province's municipal structure. The sense of an historic occasion is captured in Premier Robarts' statement in the legislature of November 28, 1968 introducing the policy:

Mr. Speaker, we are participating in an exciting and stimulating period in the history of Ontario. The restructuring of our entire system of local government through a system of regional governments, the consolidation of our school districts, the program of regional economic development, and rationalization of our provincial-municipal system of taxation ... are all interrelated and must be carried forward together. We have embarked on the greatest restructuring of local government in the history of this province. Indeed, we shall be altering a system of municipal government begun by Governor John Graves Simcoe in 1792. The establishment of regional government will be as major a change in our day as was the *Baldwin Act* in 1849 which set up the basic municipal structure we now know.

Mr. McKeough's more detailed elaboration of the policy set out seven elements of a province-wide regional government programs:

- One: A regional size which balances accessibility and the efficient provision of services. A minimum regional population of from 150,000 to 200,000 and, if two-tier, a minimum local population of from 8000 to 10,000.
- Two: The region will cover both the urban community and the rural hinterland with which it shares economic, social and physical services:

- Three: Regions may be one or two-tiered, depending on local circumstances.
- Four: If two-tiered, the regional level will have many significant responsibilities including assessment, planning arterial roads, health and welfare.
- Five: Municipal councils will be strengthened by removing the powers from many special-purpose bodies and turning these bodies over to local or, regional councils.
- Six: Regional government representation will be based on population.
- Seven: In the two-tiered regions, regional council representatives may be directly or indirectly elected. [Smith had proposed direct election only.]

The Design for Development program accepted the necessity of creating regional governments and sharply reducing the number of special purpose bodies as a means of promoting municipal accountability and reducing the entanglement of provincial-municipal relations that had sapped the capacity of municipalities to run their own affairs. There was a recognition that a thoroughgoing disentanglement exercise could not take place when the large majority of municipalities were too small to let go of the provincial apron strings.

The government did not accept, however, the Smith and White Committees' recommendation that regional governments be established simultaneously across the province, except in areas of sparse settlement. Instead, it proceeded to establish regional governments in the next five years only in those urbanized areas where government studies had already begun or where there were specific needs for a major change in local government structure.

The reforms of the 1970s

In many other areas of the Smith Committee recommendations, the provincial government proceeded to act without delay. The 1969 provincial budget was accompanied by a white paper on tax reform. In 1970 the province took over responsibility for the assessment function, with the initial aim of having market value assessment implemented across the province in four years, a goal central to several Smith Committee recommendations, especially in the area of provincial-municipal transfers.

The Toronto-Centred Region Plan was published in 1970 as part of the Design For Development series. Regional government and regional economic development planning, based on urban-centred regions, were seen as two parallel programs in which the network of regional governments would be the major implementers of strategic plans eventually covering the province.

Following the recommendations of the Committee on Government Productivity, established in the final year of the Robarts government, the Ministry of Treasury, Economics and Intergovernmental Affairs was created in 1972. This amalgamation of Treasury and Economics with Municipal Affairs, unique in Canada, was in recognition of various factors that had converged in the shaping of Ontario policies at that time:

- The parallelism noted by the Smith Committee between federal-provincial relations and provincial-municipal relations, given a reformed municipal structure.
- The central role of the provincial-municipal relationship in an overall reform of public finances in Ontario.
- The need to ensure that regional economic planning (developed in Treasury and Economics) and regional government and community planning (functions of Municipal Affairs) proceeded in a common and collaborative manner. In other words, that top-down and bottom-up planning converged. (As part of the Design for Development program, regional advisory councils of the heads of provincial ministry offices in the regions had been established to coordinate provincial activities in the regions and contribute to the regional economic planning exercise—an approach that had parallels in Quebec and France.)
- The recognition that federal-provincial and provincial-municipal relations, like fiscal and economic policies, were in many respects central agency functions that intersected with the activities of line ministries in the development and implementation of overall provincial policies. There was a belief that if the central thrust of the Design for Development policies were to be implemented, and a responsible level of municipal government established, the weight of a powerful central agency would be essential. This central weight, it was believed, would be particularly important in tackling issues such as reductions in the number of special purpose bodies and in the number of conditional grants made to municipalities, two growing phenomena in Ontario that undermined the accountability of municipal governments but that had powerful support from sectoral ministries and interest groups.

This massive reform program was not attempted without municipal input. In the summer of 1969, the Provincial Treasurer, Charles McNaughton, and the Minister of Municipal Affairs, Darcy McKeough, toured the province to discuss regional government and taxation reform with municipal leaders. In the spring of 1970 a provincial-municipal partnership conference was held to set the stage for a new era in provincial-municipal relations. The Provincial-Municipal Liaison Committee (PMLC), was established following the conference. By the mid-1970s, the PMLC had become a monthly televised meeting between municipal leaders and provincial cabinet ministers, at which a wide range of provincial-municipal issues was discussed and agreed upon. Ontario's exercise in provincial-municipal "federalism" was one of the inspirations for a national and provincial ill-fated experiment of tri-level meetings, pressed for by the federal Ministry of State for Urban Affairs and the Federation of Canadian Municipalities.

The PMLC process led to several less-than-successful attempts to establish a more disentangled provincial-municipal financial relationship, in the interests of a more accountable and autonomous municipal level of government in Ontario. The first was a revenue-sharing program, the "Edmonton commitment", so named because the Minister of Treasury, Economics and Intergovernmental Affairs announced it at a national tri-level conference in Edmonton in 1974. The commitment was that provincial transfers to municipalities in Ontario would always increase at least at the same rate as provincial revenues.

Grants reform

The second was the establishment of the Provincial-Municipal Grants Reform Committee in 1976. This body, which reported in 1978, undertook the most thorough evaluation of provincial transfers to municipalities ever attempted in Ontario. Its assessment was that the system impaired local autonomy because there were too many grants, confusion and uncertainty among recipients, excessive administrative requirements, too much entanglement of jurisdiction, too many special-purpose bodies, obsolete grants, and an inconsistent variety of equalization programs. Its recommendations were based on the principles that the grants system should not undermine local autonomy, should recognize provincial responsibility, should clarify jurisdictional responsibility and enhance accountability to the taxpayers, should provide for equalization of fiscal capacity, should recognize differences in expenditure needs, should recognize the diversity among municipalities in terms of size, structure, and expertise, should be simple and provide certainty, and should be complemented by availability of provincial expertise and information. In short, the committee's work amounted to a full-scale provincial-municipal disentanglement exercise.

Overall, the committee recommended that the number of provincial-municipal grants be reduced from 87 to 37 and that the proportion of total grants represented by unconditional grants move from 28 per cent to 60 per cent. This would be achieved through a combination of transferring jurisdiction, eliminating or consolidating grants, moving to block grants or transferring administrative or financial jurisdiction.

Reform derailed

Neither the Edmonton commitment nor the report of the Provincial-Municipal Grants Committee produced the results that had been hoped. The reform era of the late 1960s and early 1970s had run its course by the time they were established. The transition from the Robarts to the Davis regime in 1972 occurred at the same time as the OPEC oil crisis. The economic and fiscal boom of the 1960s was replaced by a period of economic uncertainty and revenue shortfalls. The faith in global planning and structural reform of the 1960s and optimism about the future was replaced by caution and outright opposition to change of almost any kind. The majority governments of the Robarts era were replaced by minority governments in 1975 and 1977, with regional governments and bureaucratic planning labelled as among the causes of the fall in government popularity.

On the provincial-municipal scene the reform and restructuring of the system also spluttered. No new regional governments were established after 1976, the Toronto-Centred Region plan and the Design for Development strategies were wound up, the Edmonton commitment was allowed to lapse, the reform of the grants structure did not occur (in fact, both conditional grants and special purpose bodies have since increased in number), and the municipal affairs function was separated from Treasury and Economics and then from Intergovernmental Affairs. Municipal affairs were thus no longer treated as a central priority of government policy deserving a central agency.

The regional governments that were established were more timid creatures than had been envisaged by the Smith Committee. For the most part they conformed to the old county boundaries. Their powers were essentially taken from existing municipal functions, so that little actual decentralization from the provincial government occurred. They did not take on the secondary education function, and the powers the Smith Committee envisaged for them in the health area largely went to new special-purpose bodies, the district health councils. While they might have accomplished much that is useful, the impression remains that they have also added much to the expense and complexity of local government in Ontario.

The opposition to the proposed reforms revealed an urban-rural split in the population. Whereas the establishment of regional governments was seen by many as a logical development in the urban areas where development had spilled over municipal frontiers, it was opposed by the majority of smaller, more rural municipalities. They saw regional government as likely to bring both more interference with traditional approaches and higher taxes. The proposed changes to the grants structure and the proposed abolition of many special purpose bodies were supported in the main by the larger municipalities but opposed by smaller municipalities as well as by many of the line ministries and the groups they served, which between them had been responsible for establishing the grants and the special purpose bodies. The municipal associations found it difficult to press for reforms with much of their membership in opposition. The proposal in the Grants Reform Committee report, for example, to eliminate road grants for municipalities with a population of more than 5,000, was opposed by the Ministry of Transportation, the roads engineers, and the Ontario Good Roads Association, and was not strongly supported by the Association of Municipalities of Ontario.

Back on track?

Municipal affairs and major provincial-municipal structural reform remained relatively low priorities of the Ontario government until the boom of 1980s created strains on the system as had been the case twenty years earlier. As in the earlier period, growth in the Toronto area has sparked a province-led attempt to come to a new vision of the region's future that may lead to a restructuring of programs, jurisdictions, and governments. The process that led to the Hopcroft report and the current disentanglement exercise appears to have been caused by many of the same concerns as those that led to the Smith Committee, Design for Development, and the Grants Reform Committee proposals. Those exercises concluded that it was difficult in the complex world of the late twentieth century to disentangle responsibilities when there is in place a municipal structure designed in the first half of the nineteenth century.

3.2 FEDERAL-PROVINCIAL RELATIONS AND DISENTANGLEMENT

The disentanglement of federal and provincial responsibilities is a subject that comes up whenever the distribution of powers is discussed in a constitutional setting. Disentanglement is also a regular topic of federal-provincial financial negotiations and has been on the table for many program discussions of sectoral ministries.

The 1991 Allaire report of the Quebec Liberal Party justified its recommendations that 22 powers become total provincial responsibilities on the rationale that the current duplication of effort and overlap of accountability was extremely wasteful of financial and human resources. The 1982 Charlottetown Accord attempted to answer this by its commitment binding the federal government to remove itself completely from the areas of urban affairs, housing, mining, forestry, tourism, and manpower training in any province where the province desired to assume the responsibility. It is an open question as to whether any of this will be followed up in the wake of the rejection of the Charlottetown Accord.

Notwithstanding the Accord, the current federal government has been following an implicit disentanglement program since its election in 1984. It has sharply reduced its involvement in regional development, housing, cultural affairs, and support for commuter transit. By reducing its financial commitments in the expensive areas of post-secondary education, health, and income assistance, it has forced the provinces to assume greater responsibility for priority-setting.

When disentanglement has occurred in Canada, it has come about much more often through fiscal rather than constitutional negotiations. Thus in the 1960s the finance ministers took the lead in sorting out and simplifying a number of confusing federal conditional grants. In 1967, major effective disentanglement came about when detailed shared-cost programs in the training area were eliminated with the federal government assuming more responsibility for training on the job and the provinces for training in institutions, specific shared-cost programs in health and post-secondary education were transformed into a combination of tax transfers and block grants, and a series of shared-cost programs in the social services and income assistance area were transferred into what became virtually a block grant, the Canada Assistance Plan. The 1960s, however, were also a period of increased entanglement as booming revenues led to the creation of many new government programs, often by different levels of government in the same general area.

The Ontario government took the lead in promoting disentanglement in the 1970s as a means of promoting more cost-effective and accountable government. Its Special Program Review report of 1975, for example, recommended a sharp reduction in the number of both federal-provincial and provincial-municipal conditional grant programs. In several new areas of government expenditure where both the federal and provincial governments became involved in overlapping programs, such as consumer protection and the environment, agreements were hammered out between the federal and provincial governments on "who does what."

Largely at Ontario's urging, "disentanglement" became an item on several federal-provincial conferences at the end of the 1970s. The Economic Council of Canada was asked to study the costs and benefits of disentanglement.

Different provinces took up the issue in different ways in the 1970s. The western provinces, led by Alberta, compiled annual lists of federal intrusions into provincial areas of responsibility. Quebec developed analyses of the costs of federal-provincial duplication of effort—in support of further decentralization or of the principle of the right to opt out of federal-provincial shared-cost programs in areas of provincial jurisdiction, with full compensation. Ontario

pushed for sectoral agreements to improve accountability and reduce entanglement. The federal government of the day was reluctant to comply because, at a time of rising independentist sentiment in Quebec and growing western alienation, it was attempting to plant the national flag in as many areas as possible.

Federal-provincial disentanglement can have a direct impact on provincial-municipal relations. In the past, the conditions of federal-provincial shared-cost programs have resulted in conditions being applied to provincial-municipal programs. The more the federal-provincial relationship is simplified, the easier it is to simplify the relationship between provincial governments and the municipalities. Continuing fiscal restraints at both the federal and provincial levels may lead to greater decentralization and disentanglement, at the likely risk of some financial downloading.

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4. FINDINGS IN OTHER JURISDICTIONS

The commentaries on individual jurisdictions that comprise this section are each organized into a maximum of nine subsections. Seven central subsections reflect the seven assumptions of Ontario's disentanglement process (see Section 2.1 above). However, there was not always sufficient information available to justify a particular subsection and thus not all commentaries have all of these subsections. Most commentaries begins with background notes and conclude with further comments.

4.1 BRITISH COLUMBIA

Background

The political context for municipalities in British Columbia has changed considerably during the last decade. Premier William Bennett (Social Credit Party) was believed to have disliked municipal governments. His successor, William Vander Zalm, a former municipal politician and Minister of Municipal Affairs under Bennett, took pains to befriend municipalities and had close working relationships with many municipal leaders and with the Union of British Columbia Municipalities—but didn't quite bring his party with him and in any case shared its antagonism to planning. The present premier, Mike Harcourt (New Democratic Party), was for many years a Vancouver councillor and mayor of Vancouver. His Minister of Municipal Affairs once served as a Victoria councillor. The NDP generally comprises strong supporters of municipal autonomy.

Compared with other provinces, there is a history of considerable municipal autonomy in British Columbia. The Ministry of Municipal Affairs is small, supervises municipal activities minimally, and provides few services. It does not, for example, go through the books of municipalities or run courses for newly elected councillors—common practices in other provinces. There is no close equivalent of the Ontario Municipal Board, with its wide powers to alter municipal decisions in the areas of land-use planning and financial management.

A particular instance of autonomy is the City of Vancouver (population 450,000 within a provincial population of 3.2 million), which has a charter from the provincial legislature that gives it powers not held by other municipalities and an unusual ability to act without provincial interference.

Almost all of British Columbia is under a limited form of two-tier local government involving regional districts that are essentially cooperative service arrangements among participating municipalities.

Although British Columbia municipalities may have more autonomy than municipalities in other provinces, they may also have, on balance, fewer responsibilities. Two of the areas presently under consideration in Ontario's disentanglement process—public transit and social assistance—are funded and administered provincially. (Subsidies for public transit are supported by provincially administered, locally applied earmarked taxes noted below.) Policing is directed provincially through boards that have a majority of provincial appointees, but funded municipally (although, except in twelve municipalities, the RCMP provides policing services with an implicit subsidy for smaller municipalities). Local roads are funded and managed locally, with provincial grants for local roads that are deemed to be of provincial priority. Assessment for property taxes is carried out by a provincial corporation funded through a levy on property taxes.

On the other hand, municipalities in British Columbia have responsibility for air-quality management and increasingly for all aspects of solid waste management. They are required to contribute to the capital expenditures of hospitals.

More than half of municipal revenues come from property taxes, not more than 20 per cent from provincial grants (half tied and half untied), and the remainder from user fees, fines, and other sources. There is a formularized revenue-sharing program that defines the provincial contribution as one per cent of personal and corporate income taxes and six per cent of revenues from natural resources and sales taxes. Property taxes also support about one third of school costs through a provincially managed levy—amounting to about one half of property taxes collected. In the Greater Vancouver Regional District (GVRD) and elsewhere, provincially defined levies on commercial properties are used to support public transit.

Accountability

The general feeling among the public is that local municipalities are accountable and responsive compared with senior governments, although the regard for the provincial government improves with distance from Vancouver and Victoria. There is little understanding of the roles and responsibilities of the regional districts, although this might change as their importance grows. (The proportion of property taxes going to the GVRD is likely to double from 10 to 20 per cent during the next eight years.)

However, people inside the system know that, in spite of the relative disentanglement compared with other provinces, the provincial government still pulls the strings. There is scope for more disentanglement, they say, and for municipalities with a population of more than about 80,000 this could lead to more accountability and cost savings.

Cost effectiveness

The degree of disentanglement and relative absence of supervision by the Ministry of Municipal Affairs and other provincial agencies means that government systems in British Columbia may be relatively cost-effective. Local government is generally seen as more cost-effective

that senior governments, and surveys have shown that local government is widely believed to provide value-for-money.

A feature of local government in British Columbia is the existence of municipally managed, province-wide, cost-effective agencies for administering capital borrowing and insurance.

Use of local revenues

The public view in British Columbia is that property taxes should be used for services to property and local amenities. There might be public support for additional funding of public transit from property taxes. There is some feeling that the present funding of 40 per cent of hospitals' capital expenditures from property taxes is inappropriate.

Dedicated or earmarked taxes are a feature of government in British Columbia. In the GVRD, provincially managed levies on electric power and gasoline purchases and on commercial properties go directly for support of public transit in the district. A small levy on all property-taxpayers supports the provincial assessment agency.

Strategic planning

Beyond compliance with a provincial requirement for five-year planning in respect of capital financing, there does not seem to have been much strategic planning within municipalities in British Columbia. "People here live in the present," one respondent said. Things appear to be changing. There are emerging provincial-municipal consensus-seeking mechanisms in respect of long-range land-use planning. The GVRD is thinking ahead to the early part of the next century—about the facilities and land-use patterns that will be most appropriate for the region. A study, *From Desolation to Hope: The Pacific Fraser Region in 2010*, conducted by the School of Community and Regional Planning of the University of British Columbia, and funded by the Vancouver Board of Trade, appears to have had some influence.

Understanding of local government

There was surprising—from an Ontario perspective—praise for the media in British Columbia (or at least Vancouver), who were said to "get it right." Nevertheless, public understanding of local government was described as poor, particularly understanding of the regional governments. Understanding among both provincial and municipal employees seems to be hardly better; they have become "narrow in their jobs."

As regional governments become more prominent, there is a recognized need to give them better definition with the aim of avoiding further confusion.

Intergovernmental relations

These are generally described as good—consultative, constructive, and cooperative—except when grants are cut. The relatively high degree of autonomy, particularly of the City of Vancouver, can make the Minister of Municipal Affairs "mad," but this appears to be the exception rather than the rule.

An important factor in the good relations has been the experience and understanding of local government of recent and current premiers.

A current controversy concerns the remuneration of municipal and school district employees, which is believed by some to be too high. Much has been made of the fact that there are more employees earning more than \$80,000 a year within the administration of the Vancouver school district than within the provincial government. The provincial government has established a commission to explore the regularization of benefits for public employees throughout the province. It is being resisted by municipalities and other local bodies.

Further comments

Generally speaking the trend appears to be towards further disentanglement in British Columbia, notwithstanding the just mentioned intrusion into the matter of setting the salaries of local government officials and the already considerable autonomy of municipalities.

The present provincial government is continuing the attempt of its predecessors to simplify and clarify provincial-municipal relationships through reducing legislative and regulatory detail—the British Columbia *Municipal Act* is still long and complex, with over 1,000 sections. There is great interest in the proposal in Alberta to amend its *Municipal Government Act* to give municipalities the power of general competence.

4.2 ALBERTA

Background

Alberta, population 2.5 million, has two of Canada's largest and most powerful municipalities, Edmonton (the capital), population 600,000 in an urban region of 850,000, and Calgary, population 700,000 in an urban region of 750,000. Edmonton in particular manages directly or through wholly owned corporations many functions that are not usually direct municipal responsibilities elsewhere in Canada, notably the telephone service, electric power generation, one of the two major airports, the convention centre, and a research park.

Alberta municipalities already have some powers that are generally not available elsewhere, including a little used authority to provide property tax concessions to businesses, and there is a bill before the legislature to provide more authority by amending the *Municipal Govern-*

ment Act to give municipalities the power of general competence. The explanation of this change by the Minister of Municipal Affairs includes the following:

Alberta's new *Municipal Government Act* will probably be the model used by other provinces for the next decade. ... In the whole history of municipal government in Canada we've been used to looking for the words in legislation that said a council could do something, and if you couldn't find the words you couldn't do it. The natural person powers and the spheres of jurisdiction proposals turn that around. Basically your municipality can do anything it needs to do to carry out the purposes of municipal government unless the ability to do it is limited by legislation.

Notwithstanding the substantial existing and proposed empowerment, there are indications that the provincial government's supervision and direction of Alberta municipalities are relatively strong. Influence is exercised chiefly through manipulation of the extensive provincial grants structure. The 1991 version of the Ministry of Municipal Affairs' *Alberta Municipal Assistance Programs* lists several dozen grant programs available to municipalities. The large number of programs can be regarded either as an indication of the generosity of the provincial government or as an indication of the degree to which provincial and local governments in Alberta are entangled.

Municipal government in Alberta is single-tiered. The extensive empowerment of Calgary and Edmonton arises in part because each is a unitary government responsible for local services throughout almost all of its urban region.

Of the service areas presently under consideration in Ontario's disentanglement process, all are presently a municipal responsibility. In the larger cities, policing is managed by a municipally appointed commission and paid for by the municipality (there is a "minuscule" per capita grant). Social assistance is delivered by the municipality but paid for almost entirely by the provincial government. Roads and public transportation are managed locally and supported provincially by a declining per capita grant (\$75 per capita in 1991, \$40 in 1992) that is a matter of current controversy. Assessment is a municipal responsibility, but provincial manuals are used and the provincial government will do it on request for a fee. (Both market value assessment and a separate provincial assessment corporation are under consideration; some municipalities have some concerns about loss of municipal autonomy in both respects.)

The sources of revenue for the City of Edmonton may be typical of the larger municipalities in Alberta. In 1991, some 53 per cent of general revenue came from property and business taxes raised by the municipality. Contributions from public utilities provided 16 per cent. Grants from senior governments (mostly the Alberta government) contributed 10 per cent. The remainder came from various user fees.

Accountability

Municipal governments in Alberta, particularly the larger municipalities, are seen as highly accountable for their actions. What is described as the manipulation of municipal government by the province through the grant program and in other ways is generally invisible. Disentanglement would thus not evidently enhance accountability.

Cost effectiveness

Disentanglement might improve cost-effectiveness, particularly in the community service areas, but councils are mostly content with the present arrangement. They would certainly not want disentanglement if it led to, for example, provincial management of community services because the provincial government might do things insensitively.

Citizens in general seem content with the way municipal services are managed and believe municipalities are more efficient and provide better value-for-money than senior governments. The only strongly requested improvement is for "one-stop shopping" for government services, presumably administered by the municipality. However, there is a general concern that taxes are too high, and municipalities are the available target for such concerns even though they might be more fairly directed elsewhere.

For business operators, the concern about local taxes translates into proposals to privatize certain municipal services—waste management, for example—but citizens in general do not agree. More user-pay arrangements may be introduced, for garbage collection and for other services. (The garbage collection proposal for Edmonton would allow two bags per residence per week without charge and the remainder would cost \$5 per bag.)

Use of local revenues

Business interests lead complaints that property taxes are an inappropriate source of funding for social programs and education. The funding of education is currently under review by the provincial government.

There are few earmarked taxes, although there are proposals for more, in particular a fuel tax that would be used to subsidize transit operations in the large cities.

Strategic planning

The provincial government has strongly encouraged municipalities to incorporate long-range planning into their normal activities, although the response has been variable. Calgary has produced a strategic plan for its own operations and a vision of the city in 2020. Its Economic Development Authority has also produced a strategic plan. Edmonton appears to have less enthusiasm for strategic planning exercises, and relies mostly on its regular budget exercise to plan for the short and medium term, although it does have a strategic plan for economic development. The provincial government is considering legislating a requirement for long-range budget planning.

The different municipal attitudes to strategic planning suggest that further disentanglement or increased independence would not lead to more strategic planning.

Understanding of local government

There seems to be uncertainty among officials in Alberta as to the level of understanding of local government among the public, or even among employees. There was praise, however, for the simplicity of the single-tiered structure and the consequent ability of citizens to access government readily. Indeed, accessibility was generally seen as the important issue, not understanding.

Both provincial and municipal officials suggested that disentanglement of local government from the provincial government might enhance understanding of who is responsible for what, but this was not seen as an important reason for disentanglement.

Fiscal management

Provincial and municipal officials also agreed that disentanglement could lead to tighter financial management. A particular point raised was the funding of outside agencies, which get support from many sources—a process described as a "morass of overlapping interests."

Intergovernmental relations

Opinions vary as to the quality of provincial-local relations. The continuing downloading of provincial responsibilities without corresponding funding is generally a point of concern among municipal officials. Other difficulties in relations may be confined to the City of Edmonton whose mayor and council have for many years had a political complexion different from that of the provincial government.

There seems to be agreement that disentanglement might improve provincial-local relations.

Further comments

The proposed radical amendments to Alberta's *Municipal Government Act* may not alter the degree of entanglement, which is a matter more of supervision of fiscal arrangements, and duplication of administration of those arrangements, than legislative competence.

Nevertheless, there is agreement concerning the existence of a general trend towards disentanglement in Alberta: that the provincial government is gradually getting out of local matters. Two things stand in the way. One is what is described as "lethargy of bureaucracy." The other, more fundamental, is a fear on the part of municipalities that actions towards disentanglement by the province constitute further downloading of responsibilities without commensurate changes in funding arrangements.

4.3 QUEBEC

Background

Provincial-municipal relations in Quebec (population 6.8 million) are characterized by a much greater degree of disentanglement than is the case in Ontario. There are fewer conditional grants and fewer special purpose bodies. Although Quebec municipalities deal with a smaller range of activities than is the case with most Ontario municipalities, they are more autonomous and accountable in their areas of responsibilities. Quebec, with a population of 6.8 million and more than 1,500 municipalities, also has many more very small municipalities than Ontario (population 10.1 million and 831 municipalities) without the capacity to provide many local services.

Quebec has undertaken a number of reforms in recent years that have had major impacts on municipal responsibilities and on provincial-municipal relations. At the beginning of the 1970s, three regional governments were established—the urban communities of Quebec, Montreal, and the Outaouais region around Hull. These regional governments were not given as many powers as the Ontario regional governments and, with the exception of the Outaouais region, were not accompanied by a rationalization of lower-tier municipalities.

A second reform took place in the early 1970s. It established a network of area health and social service councils to provide a coordinated approach to hospital services and a range of other local health and social service institutions and programs. This structure reports through the Quebec Ministry of Health and Social Services, with the result that in this important area of activity there is little or no municipal government responsibility.

The Quebec system of income assistance was reformed during the 1970s, and is administered directly by the Ministry of Income Assistance and Employment for the entire province except for the City of Montreal, which administers income assistance programs directly, on contract with the provincial Ministry.

In the period 1980 to 1982, a major reform of the Quebec county system was undertaken and the 71 historic counties were replaced by 96 county region municipalities that, for the first time, were required to produce overall regional planning documents. These county regions, which as far as possible were designed around urban centres, were also given the responsibility of property assessment in the rural areas (the towns and cities do their own assessment). Since 1987, they have had the ability to take over other powers that the local municipalities decide to give them. So far, many county regions have taken on responsibilities in waste disposal. There are now 100 upper-tier municipalities in Quebec: the 96 county regions, the 3 urban communities, and the northern district of Katimavik.

The largest disentanglement exercise in Quebec history took place in 1980, when the provincial-municipal financial relationship was greatly simplified. The number of conditional grants was reduced from 45 to seven and the previous revenue-sharing program was abolished. In return, the province took over 94 per cent of the financial responsibility for elementary and secondary education and began to pay full local property taxes on provincially-owned proper-

ties. As a result of the assumption by the provincial government of most of the financial responsibility for education on the one hand (the school boards can now levy a property tax covering up to 10 per cent of their expenditures, which is collected by the municipalities), and increased municipal responsibility for local services on the other, lower-tier municipalities now meet 96 per cent of the cost of local services through their own fees, charges, and local taxes.

The most recent reform in Quebec was initiated by a policy statement by the Minister of Municipal Affairs, Claude Ryan, in December 1990 entitled "A Sharing of Responsibilities Between Quebec and the Municipalities: A New Balance." This policy, which is coming into effect in 1992 and 1993, has the impact of further decentralizing authority to municipalities both for spending and for financing responsibilities. In particular, it makes municipalities more accountable for local public transit and roads. The new policy essentially eliminates provincial subsidies for the regular operation of local transit while maintaining grants for capital construction and for the expansion of services. In partial compensation, the government has added a \$30 fee to the cost of vehicle registrations in municipalities served by transit systems, the revenues from which are transferred directly to municipal transit commissions. As a result of the reforms, the provincial share of overall local transit costs is declining from 43 per cent before the reform to 22 per cent after. The new policy also sharply reduces provincial grants for local and rural roads, and transfers responsibility for building and maintaining many roads from the province to the municipalities. The municipalities will be able to levy additional taxes on non-residential property to cover much of their additional road or transit financing responsibilities. The province has encouraged the municipalities to make more use of the property tax, on the premise that property tax rates and revenues are considerably lower in Quebec than in Ontario.

The province is also beginning to charge municipalities, on a sliding scale based on the size of the municipality, for policing services hitherto provided free by the Quebec Sureté (provincial police). It will now be advantageous for municipalities to establish their own police forces once they reach a population of about 5,000 or 6,000. Three years ago, Quebec abolished local police commissions so that policing is now a fully-integrated element of municipal administration in the 170 local municipalities (plus the Montreal Urban Community) with police forces. The province has established three provincial "Commissions of Professional Conduct" to deal with complaints and other police issues: one covers the 5,000-strong Quebec provincial police, one the 5,000 members of local police forces, and one the 5,000 members of the police force of the Montreal Urban Community.

In the spring of 1992, a special task force was created by the province to recommend by 1993 measures to improve the governance and planning of the greater Montreal area, including both the Montreal Urban Community and the urbanizing areas surrounding it. The task force report could bring about future changes to provincial-municipal responsibilities and relationships in this region, which accounts for almost half the population of the province.

Accountability

There appears to be considerably greater local accountability for those services that are municipal responsibilities in Quebec than there is in Ontario, and recent reforms have made Quebec municipalities even more accountable. The relative absence of conditional grants and special purpose bodies are one reason—Quebec has no tradition of library boards, conservation authorities or hospital boards that tend to blur political accountability. The fact that Quebec municipalities now raise 96 per cent of the revenue needed to cover their own expenditure responsibilities could not be a clearer indication of financial accountability. The fact that the major urban municipalities are governed by municipal political parties provides a strong measure of political accountability (although there is a tradition in Montreal elections of overwhelming victories by a single party—which may detract from accountability).

One of the problems of the Quebec local situation is the relative separateness of municipalities and the other two major local actors—the school boards and the health and social service councils. In the health and social service area, the relationships with municipalities may become even more remote as the result of the establishment in June 1992 of a network of directly-elected regional health and social service councils that will have broad decision-making authority. The conflict between the municipalities and the health and social service structure has been exemplified by a recent decision by the Ministry of Health and Social Services to move a major hospital from downtown Montreal to a suburb over the violent objections of the City of Montreal.

Cost effectiveness

Provincial authorities believe that the moves to disentangle provincial-municipal responsibilities and promote greater municipal accountability have improved the cost-effectiveness of municipal services. There are now much sharper local debates on transit decisions, and some municipalities are making decisions about priorities for bus routes, for example, that would never have been made as long as the province was picking up deficits. The province believes that its moves in policing will lead to much more accountable and cost-effective decision-making.

Use of local revenues

The government of Quebec believes that its disentangled system appropriately allocates more progressive provincial revenue sources to education, health, and welfare programs while giving the municipalities wider flexibility to use local sources of revenue to finance municipal responsibilities. The City of Montreal may ask to administer the health and social service network now run through councils reporting to the Ministry of Health and Social Services. If it were to do this, it would likely be on the same basis as it now administers income assistance, with provincial conditions and funding.

Strategic planning

The establishment of county regions a decade ago with obligations to produce regional plans has sparked a new interest in strategic planning at the local and regional level. Some of the county regions now want to take a more active role in other region-wide functions like economic development and transportation planning. There has been a problem in strategic planning around the cities of Quebec and Montreal, because large proportions of the built-up urban regions are outside the boundaries of the formal urban communities. This issue is being dealt with by the task force on the future of the Montreal region. Another such exercise may take place in the Quebec region.

Understanding of government

The relatively clear allocation of responsibility between the province and the cities has led to a reasonably informed electorate in the cities. Responsibilities have tended to be more entangled in rural areas, because provincial ministries and agencies have been more actively involved in "local" affairs. An average taxpayer might well be uncertain as to whether he should go to a municipal or provincial office, for example, if he or she had trouble with a septic tank.

Intergovernmental relations

Provincial-municipal relations in Quebec took a sharp turn for the worse with the announcement of the reform proposal in December 1990. Although some modifications have since been made in response to municipal complaints, they are still at the confrontation level between the City of Montreal and the province. Outside Montreal, relations are somewhat better as the province and the municipalities work out specific new arrangements in the areas of roads, transit, and policing. There is a general municipal apprehension that the province may be preparing to download more financial responsibilities. Montreal has taken the position that it wants to undertake more responsibilities, but only if the provincial government provides sufficient funds to cover the cost.

Further comments

The provincial-municipal relationship is quite central to the priorities of the current Quebec government. The minister of Municipal Affairs, Claude Ryan, is a strong minister with a clear philosophy. Disentanglement and greater municipal financial and program accountability are at the core of this philosophy, although for some ministers it may largely be in the context of municipal help in dealing with a provincial budget deficit. Many briefs before the Belanger-Campeau Commission in 1991 urged a greater decentralization of authority within a more autonomous Quebec, but the concomitant decentralization of financial accountability was not always apparent.

Quebec appears to be ready to make different arrangements with Montreal than for other municipalities in the province. Because there are two municipal associations, one urban and

one rural, it may be somewhat easier for the Quebec government to make different arrangements for urban and rural municipalities than it is in Ontario.

4.4 NOVA SCOTIA

Background

Nova Scotia (population 900,000) is of particular interest to government officials in Ontario because it is also going through a disentanglement exercise to sort out which level of government should do what in the province. The original intention of the Nova Scotia government appears to have been to do something else: to reduce in the name of efficiency the number of municipalities in the province from the present 66 to around 25. Towards this latter end, a provincial-municipal task force on municipal reform was established in December 1991. In February 1992, the provincial government appeared to accept the position of the Union of Nova Scotia Municipalities (UNSM) that disentanglement should be the focus of the task force's work.

The task force reported in early April elaborating what was essentially the UNSM's position that there be a revenue-neutral swap. The provincial government would take over social services, including child welfare, and the few public health responsibilities presently exercised by municipalities; the municipalities would take over road construction and maintenance and also policing. Regarding policing, the provincial government would continue to be responsible for highway patrols, municipalities would have representation on the Nova Scotia Police Commission. Cost-sharing with respect to a variety of services—including public transit, land-use planning, building inspection, industrial parks and commissions, and recreation and culture—would be mostly eliminated so that municipalities would fund their own activities in these areas.

There was recognition that the proposed arrangement would benefit urban municipalities more than rural ones. The urban municipalities have larger social assistance obligations but have always paid their way regarding policing and roads. The rural municipalities typically have fewer social assistance obligations but had not paid their way regarding policing (i.e., services given by the RCMP) and would now have to.

The April 1992 report also recommended a unitary tier of municipal government throughout the province based on apparent complaints about two-tier systems elsewhere, particularly in Ontario. (There have been moves towards two-tier systems in the Halifax-Dartmouth and Cape Breton areas.) The UNSM produced a further paper recommending that before any change in responsibilities is implemented the provincial government should bring all roads up to an acceptable standard and give municipalities a share of the gasoline and other taxes.

Although the report recommended structural changes commencing with five critical areas, the provincial government has chosen not to act as proposed but rather has agreed to engage in consultations about disentanglement. It has adopted the notion of an exchange or refinement

of responsibilities with no overall increase or decrease in costs or revenues to either level of government. It has also expressed concern for municipalities that might be adversely affected by disentanglement and has indicated a commitment to mitigate adverse effects.

As noted above, several of the matters receiving early scrutiny in Ontario's disentanglement process are presently administered and to a degree funded by local government in Nova Scotia: policing, social assistance, roads, and public transportation. Policing is paid for by urban municipalities, which in some cases have their own forces, but it generally subsidized in rural areas. Administration of social assistance is a municipal responsibility, but with municipalities in principle paying only 25 per cent of the costs. In practice, municipalities pay a third or more of the costs because of caps on the provincial contributions. Urban municipalities are responsible for roads except thoroughfares, for which there can be a provincial capital contribution; the provincial government is responsible for roads in rural areas. Urban municipalities are also responsible for public transportation, for which they receive some assistance from the provincial government. Assessment of property is a provincial responsibility.

A point of contention is the recent establishment of elected school boards that have no direct responsibility for raising the funds used to manage the school systems. The boards have no taxing or levying powers. They receive funds from the municipalities and from the provincial government. The boards' new status as democratic representatives complicates the discretion of municipal councils in setting allocations for education. This challenge is sharpened by its occurrence against a background of declining provincial contributions to education, which may be having more impact in rural than urban areas because the provincial contribution must usually be greater in rural areas. The April report of the task force suggested that the municipal contribution to school board operations could be replaced by complete provincial funding.

Accountability

As elsewhere, there is a sense that municipal government is more accountable for its actions than senior governments, but the provincial government makes the real decisions. In Nova Scotia there is perhaps more contact on day-to-day issues between members of the provincial assembly and the public than in the other, larger provinces being reviewed in this study. Moreover, also perhaps more than elsewhere, the provincial premier is seen to be in charge—rather than the cabinet, the caucus of the governing party or the provincial legislature.

A case in point is the current disentanglement process, which has been positioned by the provincial government as a joint provincial-municipal effort, and yet the province is seen to be driving the process and making the real decisions—mostly, it is said, to further an agenda for downloading responsibilities without commensurate increases to funding.

On the matter of accountability of municipal governments for their actions, much is made of the high degree of supervision exercised by the provincial government and the legislated requirement for open decision-making particularly with respect to budget-setting. We were told by one respondent that municipal government does not have a lot of prestige in the pub-

lic's eyes, and that there is little understanding of who is responsible for what; but another respondent strongly disagreed.

Disentanglement, it is believed, would enhance accountability by making government more understandable and therefore more responsible.

Cost effectiveness

Unlike in the other provinces, there appears to be no strong view in Nova Scotia that the actions of municipalities are generally more cost-effective than those of the provincial government. Indeed, the view was expressed that disentanglement could lead to reduced efficiency because some of the checks and balances that come with cost-shared programs might not be continued; a contrary view was also expressed.

Use of local revenues

There is a general feeling that property taxes are not appropriate for the funding of income-support programs and education. Also, the suggested transfer of a portion of the revenues from gasoline taxes is related to the allocation of more responsibility for roads to municipalities rather than to the general revenue needs of the municipalities. However, the provincial-municipal task force has dropped reference to taxes on people and taxes on property and is instead referring to *universal* and *local* taxes.

Strategic planning

There is general agreement that strategic planning for the use of local public resources is in its infancy in Nova Scotia, with one or two significant exceptions. A particular problem may be an apparent capriciousness of the provincial government that provides an unhelpful context for local planning. Enhanced strategic planning is not presently high on the agenda, although there is some feeling that better planning might be possible if accountability were to be simplified and strengthened.

Understanding of local government

Public understanding of local government in Nova Scotia, indeed of any government, does not appear to be great. Little interest is shown in how government works or is structured, except perhaps when there is a personal or neighbourhood problem—then some understanding and also tenacity may be needed to get satisfaction from government. People generally start with municipal government in their search for solutions. The current disentanglement exercise has not yet been opened up to the public.

Intergovernmental relations

The appropriate description seems to be that relations between provincial and municipal governments vary from place to place, are generally cool, but are improving. The main complaint is that the provincial government "keeps pushing things down on municipalities," although there is some recognition that some of this is the result of cutbacks in federal transfers to the province.

Further comments

The disentanglement exercise in Nova Scotia appears to be a cathartic exercise both for the provincial government and for municipalities; it holds the promise of improving both relationships and accountability. The likely impact of disentanglement on service delivery and cost-effectiveness is not so clear. There is controversy over the pace at which things are happening. Its rapidity and intensity are praised by participants in the process, who point to the need to sustain momentum and achieve an intensity of focus. But the process is upsetting for some local politicians because they are hardly involved and because without their scrutiny they feel the provincial government might get away with too much.

A further controversy concerns the task force's recommendation against two-tier governments, which does not have the support of local politicians in the areas moving towards a two-tier structure. The support for a two-tier structure in those areas may, however, be no more than support for a way of achieving regional coordination without overly upsetting the status quo.

4.5 UNITED STATES

Background

One of the big differences between the U.S. and Canada is the much greater role played by the federal government in local affairs. There are, for example, over 550 federal-local conditional grants programs.

There are also great differences among the states in state-local relations. At one end of the scale are the so-called "Dillon rule" states, in which municipalities are seen as creatures of the state, unable to engage in activities without express legislative authority from the state. At the other end are the "home rule" states, in which major cities have considerable autonomy over a wide range of activities.

The U.S. has, by and large, much less inter-municipal and inter-state equalization built into its public finance structure than Canada. This has given rise, in tandem with race and other social and economic issues, to the phenomenon of poor "inner cities" and rich suburbs. It has also given rise to numerous conditional grants and special purpose bodies to deal with aspects of the "urban crisis."

The separation of powers in the U.S. system between executive and legislature has also complicated the intergovernmental arena. In order to obtain approval of the legislative branch for budgets or legislative changes, the president and state governors have often had to agree to riders that add to federal and state intrusions into local affairs.

The smaller role of the public sector in the U.S. than in Canada, the competition between the executive and legislative branches, and the more central role of the private enterprise and the competitive ethic in the American system of prevailing values have led to a less ordered, more "entangled" and often more creative intergovernmental system. Business tends to play a greater role in local affairs than in Canada, sometimes because of the incapacity of local governments to deal effectively with urban social and economic issues.

With a few notable exceptions, there are no metropolitan or regional governments in the United States. This has led to a proliferation of special purpose bodies and inter-municipal institutions to deal with region-wide issues. In some states such as California, additional powers have been granted to the counties, to allow them to take on more of a "regional" government role.

Although the federal and state governments in the U.S. do not have the equivalent of the Canadian parliamentary system with its strong executive powers, the organization of municipal government in Canada and the United States is similar. U.S. and Canadian innovations and trends in municipal administration are exchanged through joint membership in such bodies as the International City Managers Association and the Association of Municipal Finance Officers of the United States and Canada.

From 1953 to 1981, there was a steady increase in the centralization of the U.S. system as federal and state revenues grow faster than local revenues and as local governments grew more dependent on conditional grants. Since the beginning of the Reagan years, there have been two contradictory trends: fiscal disentanglement and regulatory entanglement. Observers have labelled the current U.S. federal-state-local relationship as "fend-for-yourself" federalism.

What disentanglement has occurred in the federal-state-local relationship in recent years has come directly as a result of fiscal pressure. Since 1978 federal transfers to local governments have declined in real terms and in the last decade revenues raised locally have risen much faster than federal and state grants to local government. Much of the increase in locally-raised revenue, however, has come through special purpose bodies in areas such as education, transit, waste collection and disposal, and telecommunications.

The other major trend has been increased entanglement through regulatory and court action. As Congress and the states have run out of easily-raised revenues, they have increasingly attempted to achieve their objectives at the local level through "mandates" that require local government to act according to federal or state standards in areas such as the environment and provisions for the disabled. These mandates, often unfunded, are the chief cause today of conflict between municipalities and other levels of government. They are also the major current force undermining the political accountability of local government. Mandates can

come in the form of conditions on grants or legislative and regulatory overrides of municipal autonomy.

In summary, there has been a net increase in recent years of complexity and entanglement in the relationship between municipalities and other levels of government. This has only partly been offset by the decline in grants to municipalities, forcing them into taking tougher decisions about their own priorities and raising revenues from a wider variety of sources. Reviews of the local government scene have tended not to be focused on disentanglement, but rather how to adapt most effectively to a complex environment.

Accountability

For a number of reasons mentioned above, such as the bewildering array of conditional grants and special purpose bodies, the increasing number of regulatory and judicial overrides of municipal activity, the absence of regional governments, the poverty of many inner cities and the smaller overall role of government in the life of the country, the autonomy and accountability of municipal governments in the U.S. has been undermined.

The National League of Cities is formally in favour of home rule for cities, and other municipal associations regularly decry federal and state intrusions into the realm of municipal responsibilities. Nevertheless, these formal positions have not prevented municipalities from continuing to seek further grants from other levels of government, nor from establishing more and more special districts and bodies to deliver specific local services often to avoid the necessity of increasing property tax rates.

Disentanglement and a clearly accountable municipal level of government are not necessarily seen as virtues in the United States. The "public choice" theory of government, which promotes the principle of market competition, user-pay systems and contracting out for public goods, is in vogue in Washington and many state and municipal governments. This concept tends to look at each local service separately in order to permit market forces to determine the most effective method of providing the service. It leads to a proliferation of special local districts and institutions and tends to undercut any overall priority-setting by municipal councils over a broad range of activities and their general accountability and responsibility.

The Republican federal administrations of the 1970s and 1980s publicly stated their support for a less intrusive government that would encourage greater state and local accountability. This was accompanied by a reduction in federal grants and programs related to urban affairs. This aspect of "fend for yourself" federalism which has encouraged local governments to take greater responsibility for funding and designing local programs, has been supported by many municipalities particularly in the more affluent suburbs. It has been opposed by most inner cities, who see in the philosophy a declining commitment to the principles of equalization and social justice. The new Democratic administration will undoubtedly produce a shift in national priorities, but not one that will involve a massive new federal expansion in urban activities along the lines of the Johnson administration's "Great Society" of the 1960s.

In some states, attempts have been made, largely because of fiscal pressures, to strengthen the accountability and autonomy of a particular level of local government. In California, for example, a "re-sorting" exercise has been taking place that has strengthened the capacity of the counties, particularly in the social services areas. In the 1970s, various states approved the creation of metropolitan or combined city-county governments, which had the impact of enhancing accountability at the local level, but no new regional or metropolitan governments have been created since.

Lip service is paid to the concept that fiscal accountability depends on the level of government providing the service having the responsibility to raise the revenues for it, but there is hardly a local function without a conditional grant applying to it. One-third of the states fund 95 per cent or more of the cost of social assistance programs. In at least half of these states, the social assistance is delivered by the counties.

Cost effectiveness

It can be argued that the fiscal stringency of recent years has forced municipalities to develop more cost-effective methods of providing services. This may be true, but the increasing complexity of federal and state regulations and conditions has placed a road-block in the path of municipal creativity.

Nevertheless cost effectiveness is a much debated concept today in U.S. municipalities. Where the flexibility exists, many municipalities have experimented with new ways of funding, organizing, and delivering local services. Contracting out and public-private joint ventures are used more extensively than in Canada. For individual services, the establishment of special districts or institutions, often with a cost-recovery mandate, has spurred the search for more efficient programs.

The United States abounds in a variety of specific and often very cost-effective approaches to the delivery of individual local services, but the complexity of its system has militated against the achievement of cost-effectiveness over the spectrum of local issues. Thus the absence of local governments covering entire metropolitan regions has resulted in vast differences in the quality of local services between impoverished inner cities and wealthy suburbs. The executive director of the National League of Cities recently characterized the fiscal situation of cities in 1991 as "the toughest year for many cities—going back as far as the 1930s."

Use of local revenues

The United States is like Canada in its reliance on the property tax as the main source of local revenue. For the thirty major cities of the U.S. in 1990, just over 20 per cent of their revenue came in the form of grants (a declining proportion since 1984) and just over 58 per cent from local taxes. A variety of fees and charges made up the remainder. In spite of an increase in the proportion of municipal revenue attributable to local taxes, however, the proportion accounted for by the property tax has gone down. In fact, municipalities in the U.S.

derive their revenues today from a much greater variety of sources than they did a decade ago.

A number of large cities in the U.S., including New York, Chicago, Philadelphia, Detroit, New Orleans, and St. Louis, rely heavily on sales and income taxes. Mass transportation, sewer, water, and other services are increasingly being managed by special purpose bodies that rely on a combination of user fees and charges and grants. Most locally provided social programs are heavily subsidized by grants. Education, as in Canada, tends to be funded by a combination of property taxes and school grants.

Understanding of local government

The complexity of the arrangements for providing local services in the U.S. leads to a low understanding by the public as to what level of government is responsible for what. As in Canada, voter turnout tends to be lower in local elections than in the state or federal elections.

Within local government, there is a better understanding of responsibilities. The complexities of the intergovernmental relationship are such that civil servants involved in this area at the state or local levels of government tend to be "grantsmen"—people who are skilled in the intricacies of the grant formulae.

As in Canada, most local elections do not involve political parties with formal programs, contrary to the practice in much of Europe. As a result, it is more difficult for voters to hold elected councillors responsible for the failure or success of any particular action or program.

4.6 JAPAN

Background

Japan, with a population of some 125 million, is a non-federated state divided into 47 prefectures and, within them, some 3,250 municipalities—cities, towns, and villages. The prefectures and the municipalities together comprise local government, with the municipalities not being generally subordinate to the prefectures except in matters of regional significance. Responsibilities for regional planning and infrastructure form a large part of the work of the prefectures. Of equal significance is the administration of social welfare and pension programs for the national government. (More specifically it is the governors of the prefectures—the elected chief executives in a system similar to that of the United States—who are responsible for administering the national programs, over which the prefectural assemblies have little say.)

More of the responsibilities of municipalities are determined locally, although the largest of these—the 12 cities with populations of more than 500,000 known as designated cities—have

been given some of the responsibilities of prefectures. (From 1993, an additional 10 to 20 cities with populations of more than 200,000 will become so designated.) The Tokyo prefecture—embracing 12 million of the more than 30 million in the urban region—is organized differently. To ensure coordination and uniformity of service, the prefecture, known as the Tokyo Metropolitan Government, is responsible for much that would normally be assigned to the municipalities within its boundaries.

Overall, government spends less per person in Japan than in Canada, but whereas in Canada most tax revenue is spent centrally by the autonomous federal and provincial governments, in Japan most is spent by local government. An array of taxing powers is available to prefectures and municipalities—on inhabitants, enterprises, real estate and other fixed assets, tobacco products, amusements, meals and hotels, automobile acquisition and operation, delivery charges for heating oil, timber delivery, and land development—with prefectures making most use of taxes on business and municipalities most use of taxes on property. These various taxes amount to an average of some 42 per cent of local government's revenues. Unconditional grants comprise 16 per cent of revenues; conditional grants comprise another 16 per cent. The remaining 26 per cent or so comes from a variety of sources, mostly charges and fees.

The unconditional grants mostly comprise fixed amounts of national revenues—for example, 32 per cent of the proceeds of income, corporation, and liquor taxes, and 24 per cent of the proceeds of most consumption taxes—transferred by right to local governments according to need, i.e., they are considered to be centrally collected local revenues, and are known as "local allocation taxes." An implication of the formularized transfer is that local government revenues falls when the economy wanes. Thus total national government revenue in the current fiscal year is now expected to be some \$48 billion (7.8 per cent) less than budgeted; consequently, local governments will receive \$15 billion less in local allocation taxes than they were anticipating.

Accountability

The question of who pulls the strings in Japan, central or local government, is a matter of debate among experts. Some point to the large amount of "agency-delegation," particularly from central government to prefectures, and to the dependence of local government on revenue from the central government sources; they emphasize the impotence of local legislatures. Others note the guarantees of autonomy for local government in the 1947 constitution, which provides that local governments shall generally operate without intervention or supervision by the national government. They also note the large budgets, the shares of taxes guaranteed by law, and the broad taxing powers; they conclude that prefectures and municipalities enjoy much independence and discretionary power.

Local government officials are inclined to think that the central government has too much power. They complain about the specific limits on the taxing powers of local government and the moves to increase conditional grants. A particularly strong complaint concerns the way in which central government insists that its personnel fill certain key positions in local govern-

ment, a practice that local officials find difficult to resist not least because of the advantages of having on staff someone who has links to central government.

As elsewhere, there seems to be a general feeling in Japan that local government is more efficient than central government. A marked increase in the efficiency of local government in the last 20 years has been noted, the result of "continuous self-improvement and streamlining." The Tokyo Metropolitan Government, for example, had 220,000 employees in 1978 but now has 202,000—with many more responsibilities.

Use of local revenues

Discussion of the sources of local government revenue in Japan appears in the background section on the previous page.

Earmarking of tax revenue is a common practice in Japan. The prefectural sale tax on automobiles must be spent on roads, as must the prefectural tax on delivery charges for heating oil. The logic is earmarking is often not clear. For example, the proceeds from the municipal tax on spas may be used only for matters related to the environment, fire protection, and tourism, and the municipal tax on business facilities may be used only for environmental matters.

However, the issue of the suitability of locally based taxes, particularly property-related taxes, for income-support programs and education is not evidently current in Japan, partly perhaps because local governments are guaranteed fixed shares of nationally collected income and consumption taxes.

Strategic planning

Broadly based, long-term planning is what—more than any other factor—distinguishes the practice of government in Japan from that in Canada. There is a national development plan and there are regional plans, prefectural plans, and municipal plans. Each plan is consistent with its respective higher-order plan and sets priorities for a wide range of government services and the allocation of resources for many decades ahead. The Tokyo Metropolitan Government's master plan has a 60-year time frame. Parks planning in Nagoya takes a 100- to 200-year perspective.

How compliance of plans is achieved and sustained is not entirely clear. Part of the answer undoubtedly lies in the powers of persuasion available to officials of the national government, but more important factors may be love of order, precision, and conformity, and distaste for public confrontation. Also unclear is whether more disentanglement would enhance or detract from strategic planning processes.

Further comments

If there were further disentanglement of central and local governments in Japan, the obvious resentment felt by local governments against central government would be mitigated. Local

officials would be able to provide better services, form their own policies, and implement them all with fewer compromises. On the other hand, some say, local governments would have to explain more what they do and take more responsibility for their actions.

The question of further decentralization of authority is topical in Japan. It is under consideration by the Provisional Council for the Promotion of Administrative Reform, an advisory body of the national government.

4.7 AUSTRALIA

Background

Australia, population 17 million, is the only country covered in this report that was not visited by one of the authors during the course of the study. Moreover, our requests by mail for information have mostly not produced a timely response (we have been advised that much material is in the mail). Thus our treatment of Australia is thinner than that of some of the other jurisdictions represented here. Nevertheless, because of the evident similarity of the history and system of governance of Australia to that of Canada we have continued to include comments on local-central relations in that country.

Like Canada, Australia began (in 1901) as a federation of former British colonies. It continues as a federated polity of six states (equivalent to Canadian provinces) that with two territories form what is known as the Commonwealth of Australia. The Commonwealth and the states have parliamentary governments with a division of powers set out in a legislated constitution. Local government is a state responsibility and not recognized in the federal constitution.

Municipal councils are organized much as within Canada, with details varying from state to state as in Canada, but three significant differences from Canada may be noted:

- Municipalities are generally much smaller than in Canada, even in the central parts of the largest urban regions, the main exception being Brisbane, capital of the state of Queensland.
- There are no two-tier systems of local government, even for the largest metropolitan areas.
- Heads of municipal councils are generally chosen by councils from among councillors.
- As a consequence of the above points, and for other reasons, local government generally has more limited responsibilities and powers than in Canada. Indeed, none of the matters of immediate concern to Ontario's disentanglement process—policing, general welfare, roads, public transit, and property assessment—is ordinarily the responsibility of local government in Australia, other than the most local roads.

Thus, perhaps even more urgently than in Ontario and elsewhere in Canada, questions about the role and scope of municipal government are on the political agenda in Australia. Consideration of them is stalled by the ongoing recession there, which may be even worse than is being experienced in Canada.

A point of similarity with Canada is the increasing propensity for senior governments to push down programs to the local level, often by providing generous funding at the initiation of programs and then withdrawing funds.

A final point is that Australian municipalities may be the only ones in the world that rely more on revenue from property taxes than Canadian municipalities. This degree of reliance may be related to the generally lower level of responsibility and activity of local government in Australia than almost anywhere else in the industrialized world, and thus the comparison of revenue sources may not be entirely valid. Municipalities in Australia also receive grants, tied and untied, from state and federal governments. (Only the federal government levies income taxes; state revenues are mostly from pay-roll taxes, and various taxes on land and automobiles.)

Accountability

There seems to be agreement that local government in Australia is accountable for and is seen to be accountable for its limited range of responsibilities, but "everyone knows" that state and federal governments are really in control of things. Indeed, as elsewhere, municipalities are often believed to be responsible for more than they are, and there is certainly a feeling in municipalities that they should have more responsibilities. A limiting factor is their size, and thus the extent of their competence, and the resistance to boundary changes is great.

Cost-effectiveness

There seems to be some agreement that local governments provide fair value for money. Some tensions are developing as some local services, e.g., waste collection, are privatized. There is concern about costly duplication of work between state and local governments—in planning approvals, for example. It has precipitated moves to rationalize government responsibilities.

An important context for the understanding of matters such as attitudes towards the cost-effectiveness of government in Australia is a profound anti-government bias in the national culture. Reports on this are difficult to reconcile with the frequent election of left-wing governments that support a wide array of income-support programs. The job of government, one respondent said, is to deliver the "English working man's dream and stay out of his hair."

Use of local revenues

The general view is that local revenues, chiefly from property taxes, should be used for local purposes—on services to property and on amenities for local residents. There is a notable trend towards funding local services on a user-pay basis.

Earmarking of revenues is common in Australia. Revenue from tobacco taxes has been specifically applied to replacing the sponsorship of sports by tobacco companies. Revenue from vehicle registration and insurance has been used to advertise road safety and to remove accident "black spots." Charges for waste management have been applied to waste minimization projects.

Strategic planning

The general feeling seems to be that there is little strategic planning done at the municipal level except by the most well-resourced municipalities. (For example, the City of Melbourne—with a population of some 56,000 within a metropolitan area of more than three million residents—has a Strategic Planning Branch within its administration.) However, there appear to be considerable efforts to involve local governments in the strategic planning efforts of the state governments.

The tension points are the large metropolitan areas, which generally include a substantial majority of the respective states' populations. (Australia, by some counts, is the most heavily urbanized country in the world.) In the largest, Melbourne and Sydney, some form of metropolitan government is considered desirable by many observers, chiefly to address deficiencies in strategic planning for the regions, but because each region comprises some 70 per cent of its state's population, metropolitan governments are considered a political impossibility on account of the challenges they could pose to the state governments.

Understanding of local government

Efforts are made to explain to Australians what their local government does but these may be ineffective in the face of the widespread suspicion of all government mentioned earlier. Turn-out at local government elections in most states has been described as "minute." This is in contrast to the almost 100-per-cent turn-out for state and federal elections, in which voting is mandatory. Disentanglement of functions or devolution of responsibilities would not necessarily increase participation in local elections. Mandatory voting might; it has been discussed (and indeed implemented for local elections in the State of Victoria).

Intergovernmental relations

Opinions about the quality of intergovernmental relations range from "hostile" to, more often, "good." A particular point of controversy has been state plans for what is called "urban consolidation" within metropolitan regions. Disagreements about this (and about other planning

and also financial matters) have led to the replacement of particular municipal councils by state-appointed commissioners in the Melbourne, Perth, and Sydney regions in recent years.

Another source of difficulty has been the continuing recession in Australia, which has reduced revenues for all governments. A process of inadequately funded downloading of responsibilities has been one result. It has been felt most strongly by the state governments, which have consequently been engaged in what have been called "fire sales" of public assets to cover their costs.

Further comments

The general trend in Australia seems to be towards rather than away from disentanglement and towards rather than away from devolution of responsibilities to local government. These trends, however, are overshadowed by three factors:

- The strong move towards privatization or corporatization of local services—a response to the widespread fiscal difficulties of governments.
- The continuing recession, which reduces interest in any proposals for reform that do not have short-term cost advantages.
- A sense—perhaps stronger than in Canada—that the present state boundaries have outlived their usefulness and that reorganization based on urban regions may be appropriate. (We were also advised, however, that the states will most likely continue to exist, despite much rhetoric. A continuing tension exists between the centralizing actions of the Commonwealth government—for example, the establishment of the National Crimes Authority and the National Securities Commission—and what are known as "state rights.")

4.8 GERMANY

Background

The German federal system was established after the Second World War and has been considered by many students of federalism to be one of the main reasons for Germany's remarkable economic recovery and political stability since then. It has undergone few changes in the last 45 years except for those attendant on the current trauma involved in the absorption of the former East Germany.

The German system is based on the "subsidiarity" principle, with the delivery of services performed at the lowest level that makes economic and administrative sense. As in Canada, the relationship between the Länder (provinces) and municipalities differs from Land to Land. The Land of Hesse has been studied for this report, and in particular its largest city, Frankfurt.

About half of the services provided by Frankfurt are formal municipal responsibilities, as provided by law. The other half are functions assigned to Frankfurt to deliver as a result of legis-

lation of the Land of Hesse or occasionally by a federal law. These functions, where the city acts almost as an agent, are accompanied by conditions to be followed in administering the program as well as directions as to where the funds are to come from.

The principle of a higher level of government providing a framework of law and policy with a lower level of government delivering programs, permeates the German governmental system. The federal government itself is quite small, with fewer civil servants than the Canadian government even though it is responsible for almost three times the population—77 million vs. 27 million. In many fields it enacts general laws and develops standards for programs that are delivered by the Länder or the municipalities. Input of the Länder into the shaping of these laws comes through the second chamber of the federal government, the Bundesrat, whose members reflect the Land governments, and which must approve all legislation affecting the Länder.

The constitution (Basic Law) of Germany specifies that the municipalities are responsible for local affairs. Their impact on laws and administrative directions that affect them is largely accomplished through negotiation, particularly through political parties. Local governments are miniature legislatures, with council members elected on the basis of party lists and therefore forming "government" and "opposition" parties or coalitions of parties in each local council. Local government in Germany is based, as in much of Canada, on cities, towns, and counties (kreise).

Different arrangements exist in the different Länder for the governance of metropolitan regions. Around Frankfurt, a rather ineffective regional planning council has existed since 1975. Its lack of success has led to various proposals over the years for the establishment of a regional government. Within Frankfurt, 16 neighbourhood councils provide some local services.

With the increasing authority of European institutions, the responsibilities of both the federal government and the Länder are declining. The responsibilities of the cities are increasing, and they are becoming autonomous economic actors within Europe.

Accountability

The fact that most government services in Germany are delivered by municipalities makes for direct accountability of municipal councils to their voters in relation to the service quality and delivery. For those local services that are the total responsibility of the municipality, the accountability extends to the type of program and the council's priorities. Because of the party system, the mayor and the governing party or parties in the local council are accountable to the electorate for the successes or failures of their party programs.

The accountability relationship is much less direct for those services where the municipality acts as an "agent" of the Land or federal governments, as is the case with basic social assistance. Similarly, where there are conditions attached to transfers to the municipalities, and these are increasing in a tight fiscal period, municipal autonomy is undermined.

Use of local revenues

Municipalities in Germany receive a negotiated share of national taxes, which for most municipalities represents over 50 per cent of total revenues. Frankfurt has a much higher percentage of own-source revenues than most German cities because of revenue from business taxes, especially from the banks, which account for just over 50 per cent of its revenue. Local fees and licences account for 26 per cent of Frankfurt's revenue and its share of national income taxes is 20 per cent. Property taxes provide less than 5 per cent of the City's revenue, although some municipal experts suggest that property taxes should be higher. The negotiated share of progressive national tax sources means that the problem in Ontario of property taxes paying in part for income assistance programs is avoided. Conditional grants in the Canadian sense form a very small part of municipal revenue.

Understanding of local government

The German system of government has been remarkably stable for over 40 years, so it is well understood by most taxpayers (with the obvious exception of the former East Germany). The current trend towards further decentralization of power has reinforced a sense among citizens that the mayors and local councils are the most important elected officials as far as their daily lives are concerned—even when the function may not be a municipal responsibility, as with the case of policing. The fact that much of the activities of municipalities relates to acting as agents of other levels of government can, however, create confusion in the minds of the electorate as to who is responsible when the basics of a program are being challenged, rather than just the quality of the service provided.

Further comments

Most observers of the German government system have praised its ability to combine consistent overall policy frameworks and standards with local flexibility in designing and delivering local services. In this respect it is the governmental system that most closely reflects current business and public management ideals, which stress broad policy-making and planning at the centre with decentralized delivery. Although the Germans still complain about insensitive standard-setting at the Land and federal levels, the degree of municipal power is much stronger than in most countries. The development of effective inter-municipal services remains as an area where difficulties still exist.

4.9 THE NETHERLANDS

Background

The Netherlands is a highly urbanized country, with a population of 14.8 million concentrated in an area about one-thirtieth of that of Ontario. Well over half the population is contained in the adjoining urban regions of Amsterdam, Rotterdam, and the Hague. The Netherlands is a unitary state, although there are twelve provinces with minor service delivery and planning

functions and a supervisory power over municipal activities, especially in rural areas. Municipalities in the Netherlands deliver most government services, including social assistance. The unique aspect of the Dutch situation is that 90 per cent of municipal revenues come from grants from the central government, about two-thirds of which are in the form of conditional grants. There is therefore virtually a complete separation between accountability for raising funds and accountability for service delivery.

With regard to the functions being studied in Ontario's disentanglement exercise:

- policing is provided locally with overall policy and funding from the national government
- social assistance is administered by the municipalities on the basis of national standards and financing
- transit is provided by the municipality with national financing and broad national standards
- local roads are a municipal responsibility; main roads are a national responsibility
- property assessment is a municipal function.

Rotterdam was chosen as a particular area of focus for this report because the Rotterdam area is the subject of a well-advanced proposal for regional government, which could result in a considerable degree of disentanglement.

The intergovernmental situation in the Netherlands is very entangled now, but there are many forces pushing for changes that could lead to greater disentanglement:

- the competitive pressure coming from Europeanization
- a strong sense in the Netherlands of being over-governed
- urban problems spilling over municipal frontiers
- frustration at the number and complexity of conditional grants and at the number of bureaucrats and procedures at different levels of government with the capacity to frustrate both private and public projects
- a lessening respect for and a lessening need for the provincial level of government.

National solutions to intergovernmental issues have been attempted in the last twenty years in the Netherlands, but with only partial success:

- the 1986 *Municipal Act* gave municipalities more independence, lessened the supervision of provincial authorities and deregulated the processes of municipal councils
- a new *Municipal Act* is under consideration; it would take this decentralizing process further

- there have been various attempts to deconditionalize grants; they have met with little success, largely because of opposition from sectoral ministries in the national government
- a regional council of municipalities in the Rotterdam area—the Rijnmond—was in operation for several years but was abolished ten years ago, largely because of disagreements between Rotterdam and the suburbs.

There are forces for greater entanglement in the Netherlands:

- the scale of most urban issues is spilling over municipal boundaries, leading to central government intervention.
- new issues like the environment are leading to new national plans and regulations. There is a school of thought in the national government that the southwestern third of the country (including Amsterdam, Utrecht, the Hague and Rotterdam) is just one urban region (the Randstad) whose future must be planned as a national effort.
- European Community decisions requiring implementation are becoming more frequent, resulting in new central government controls over municipal action.

There are forces for greater municipal autonomy:

- there is an increasing differentiation between the needs of the growing metropolitan areas and the more stable rural areas, leading to a requirement for different relationships between the national government and different types of municipalities—with more autonomy for the major urban centres
- The larger centres—e.g., Amsterdam and Rotterdam—see themselves as European, if not world, cities, and are building international linkages as autonomous actors. Rotterdam, in order to maintain its position as the world's largest port, has a world-wide public-private economic development program. Amsterdam is bidding to be the headquarters of the European central bank and of other international institutions. The Hague is the headquarters of the World Court.

Accountability

The party system promotes accountability because the political party slate running for municipal office is held accountable at elections for its overall local program, even though local elections are also fought in part on national issues. In the cities, the locally-elected politicians are held accountable for the quality of local services.

Local accountability has been undermined in the Netherlands as a result of local issues spilling over municipal boundaries, leading to the creation of special purpose bodies and greater national government intervention. Increases in the number of conditions attached to national grants to municipalities have undercut local accountability. The locally driven proposals for regional governments around Rotterdam and other major cities have been framed in the context of much more accountable local government with much less entanglement.

Use of local revenues

In the Netherlands as a whole 90 per cent of municipal revenue comes from national grants (225 shared-cost programs and one major unconditional grant). In Rotterdam, however, because of its large business sector, only 45 per cent of revenue comes from national grants, and almost half of that is in the social security field. Revenues from businesses account for about half of Rotterdam's revenue with property tax only contributing 2.5 per cent. A number of municipal services are now in the process of being "privatized" through self-financing municipal corporations.

If the Rotterdam regional government proposal is adopted (and the target is for approval next year), there would be a sharp reduction in the number and complexity of conditional grants, accompanied by an increase in property tax rates.

Further comments

The issues that are being faced in the Rotterdam area are not unlike those current in the Greater Toronto Area. The solution being proposed is an effort to disentangle functions, promote accountability and establish a more cost-effective framework for the provision of government services. The proposal would involve the abolition of a layer of government (the province), would involve the assumption by the new regional government of many provincial and some national powers, would eliminate many shared-cost programs, would create a government based on an obvious metropolitan region responsible for region-wide issues, and would leave the delivery of local services with a number of lower-tier municipalities of approximately equal size. Of particular interest is the fact that the proposals have been based in part on visits to, and comparisons with, Metropolitan Toronto and the Greater Toronto Area.

4.10 FRANCE

Background

France has been undergoing a massive decentralization of its governmental system since 1982. In what had been the most centralized country in Europe, powers have been moving simultaneously from the central government in Paris to regional offices of the central government and to newly-created elected regional councils and local municipalities. The system of government in France is still complex, but all of its elements are currently subject to review and change. In that much of the change is being driven by the forces of Europeanization, the likely implementation of the Maastricht agreement will ensure that the transformation will continue.

France, in the company of some African and South American countries that have been influenced by it, has had a dual system of accountability for local government. In addition to local accountability through locally elected councils, municipalities have traditionally been ac-

countable to the central government through the prefects, the senior representatives of the French state at the local and regional level. The thrust of much of the decentralization has been to take power away from the prefects in favour of regional and communal councils, and at the same time to give prefects additional authority over representatives of other national ministries in the regions.

Continental France, population 56 million, comprises 22 regions, 96 departments within the regions, and 36,762 communes or lower-tier municipalities within the departments. The regions and communes have locally-elected councils, while the members of departmental councils are appointed by the communes. There are also over 18,000 inter-communal institutions to provide services that can be more effectively performed for several communes at once. The various levels of local government spend about 60 per cent as much as the national government. Of these expenditures about 55 per cent are by the communes, 27 per cent by the departments (mostly on social programs), five per cent by the regions (mostly on planning), and 13 per cent by inter-communal agencies.

In France, income assistance programs are administered by the departments, while policing is a national responsibility. Officials at both the national and local levels are convinced that the trend to decentralization will continue and that a greater degree of regional and local autonomy will be essential for effective adaptation to the changing European governmental context. Experts both within and outside government are convinced that the overall system of government in France is too complex and expensive with five layers of government and over 36,000 communes. Some are urging that a layer of government should disappear, probably that of the department, and that there should be a massive amalgamation of communes (over 32,000 communes have populations of less than 2,000). At the same time, there are suggestions that the number of regions be reduced to correspond more accurately to the seven or eight major economic regions in the country—given that the main regional responsibilities are economic development and strategic planning.

There is, however, in France a strong attachment to the current communal structure as a bastion of French democracy and a sense that any massive amalgamation would be politically impossible. The alternative to amalgamation is a continuing trend to more inter-communal institutions to provide services such as water, waste disposal, transportation, and technical schools. There could also be an increase in the number of metropolitan governments, such as those around Lille and Lyon which have successfully equalized levels of services and taxation between the central city and the suburbs.

Accountability

The dual system of government in France has always involved two accountability streams at the local level—to local councils and to the central government through the prefects. The thrust of the decentralization program has been to create an accountable regionally-elected layer of government, and to grant a greater degree of local accountability to the communes and departments by removing most of the supervisory responsibilities of the prefects.

The greater local autonomy has been reinforced by the collapsing of the formerly complex system of national-local grants into three basic programs: capital investment, operational grants, and decentralization grants. These grants can be supplemented, however, by specific arrangements between the prefects and individual municipalities, using funds from various national ministries.

In some respects accountability is enhanced by the operations of party politics and programs at the local level. The French system, however, where mayors can also be prominent national politicians (Jacques Chirac combined the posts of prime minister of France and mayor of Paris—he is still mayor) can cause perceptions of divided accountability.

There is a widening split among French municipalities between the major cities and regions on the one hand, which are increasingly acting as autonomous, locally accountable actors in a more integrated Europe, and the vast bulk of small rural communes on the other, which still depend on the prefects for advice and support in carrying out most of their functions. The referendum on the Maastricht agreement, much as did the Canadian referendum, revealed this split on the desirability of fundamental changes.

Cost effectiveness

The decentralization program in France has as one of its aims the more cost-effective delivery of local services through eliminating many of the controls and conditions imposed by the central government. This has to a degree been accomplished both by providing for more local government autonomy and by giving much more freedom of action to national civil servants in the regions.

To the extent that the reform has added a layer of government within France at the same time as a European layer of government is effectively being established, the French governmental system is becoming more expensive in relation to benefits. The inability to accomplish a sharp reduction in the number of communes means that there continue to be thousands of communes too small to provide most local government services effectively. The increase of inter-communal servicing agencies may provide a more cost-effective route for many government programs, but at the cost of a reduction in democratic accountability.

Strategic planning

France has traditionally engaged in more long-term planning than almost any other western country. Traditionally the approach has been top-down. Centralized decisions within a sophisticated planning framework have created an enviable infrastructure throughout the country. The new regions have essentially been created as strategic planning bodies, but with much more democratic input and control than in the past. Three or four of the regions have now created impressive strategic plans covering economic and social development, infrastructure priorities, land use patterns, and proposed linkages with other European regions. There is still, however, some competition and potential incompatibility between urban and regional planning exercises and those being carried out by national bodies.

Understanding of local government

As with any new and evolving system, there is much misunderstanding in the public about who is responsible for what. This is probably most true with regard to the regions, since the communes and the departments have long-standing functions involving direct contact with the people.

Intergovernmental relations

There is an emerging sense in France, especially among those in the national government, that there is a logical progression of government responsibilities from the communes, through the departments, to the regions, the national government and European institutions. The "subsidiarity" principle of the Maastricht agreement provides a theoretical framework for the distribution of responsibilities. This concept is not universally shared, particularly at the local level and among the right-of-centre parties where opposition to Maastricht was strong.

Intergovernmental relationships in France are to a considerable degree determined by party politics. At present, the central government is controlled by the left, but 85 per cent of the regional councils and 77 per cent each of the departments and communes are controlled by the right. There is considerable tension between many of the right-wing and more rural local governments on the one hand and the central government on the other because of a perceived preoccupation of the national government with urban and social issues.

4.11 REFLECTIONS ON INTERVIEWS IN CONTINENTAL EUROPE

Of the three countries, Germany was the most stable, the Netherlands had the most interesting local proposals, and France had undergone the most profound and continuing reform of relative powers of levels of government.

The emerging European level of government is creating much new thinking about the roles of various levels of government within European countries. Cities are thinking of their future in a European context and are forming alliances, developing international connections and taking on new functions.

Europeanization is giving new impetus to regions. The powers of national governments are declining. Almost all European governments are developing stronger regional authorities responsible for economic development, strategic plans, and transportation.

Subsidiarity is now an operating principle in Europe. It is an old German principle that underlies the German constitution. It is now a legal principle in France that governs relations among communes, departments, regions, and the national government. The concept is not as clearly articulated in the Netherlands.

The Rotterdam proposal for a new regional government could parallel the situation for the Greater Toronto Area, but could also parallel some existing regions in Ontario like Ottawa-Carleton and Niagara.

France has had the greatest overall revolution in thinking. Since 1982 there have been new powers for all levels. An evaluation of the 1982 reform that will lead to new changes is now taking place. The French system of parallel national government operations (the prefect system) along with local democracy is being transformed to become more like the Ontario system.

There is great concern everywhere about economic competition, and concern that there are too many layers of government. Holland may abolish provinces in favour of regional governments. France may abolish departments and amalgamate communes. Germany is struggling with regional issues around urban areas, e.g., the Frankfurt-Wiesbaden area.

There is little concern about one level of government financing and another delivering services. This is the basis of the German system. The French have cut back on conditional grants. Dutch cities are almost entirely financed centrally. In spite of rhetoric, France still maintains many aspects of central government involvement.

There is a strong sense that different arrangements with central governments are necessary for urban conglomerations as opposed to more rural areas. In the Netherlands, for example, the existing structure may be left intact for the more rural north and east, while new regions around Amsterdam, the Hague, and Rotterdam are created. In France, the power of the prefects will remain over small communes, while elected regional councils will become much more powerful in big urban regions. In Germany, there is a recognition in areas like Frankfurt that changes in structure may be necessary to cope with problems that affect the entire urban region. There is no desire to move functions up to the Land level.

Successful attempts to clarify municipal and higher level responsibilities have recognized the different needs and desires of different sizes or types of municipalities. Clearly a rigid delineation that may be appropriate for a large metropolitan centre may be inappropriate for a small rural municipality, and vice versa. Attempts to find a common denominator often end up satisfying neither end of the scale. Thus in the Netherlands steps are afoot to create regional governments with a great amount of autonomy around Amsterdam and Rotterdam (covering over half of the country's population, but a much smaller proportion of its area). The existing structure, in which provinces and the national government provide more assistance and exercise more supervision over municipalities, would likely be maintained in the more rural northern and eastern regions of the country.

In France, the prefects (the key representative of the national government in the regions and departments) are primarily concerned with the coordination of national programs in the urban regions of the country. In the more rural areas, and for smaller municipalities, they play an ongoing advisory, assisting, and even supervisory role.

The view from the Association of European Regions and Communes is that Germany, among the three countries, has a system closest to what Ontario is looking for.

There was a view by everyone that the United Kingdom took a major step backwards in the 1980s by abolishing the upper-tier metropolitan municipalities. London's public transit system, which had been a model for other countries, is now a model of what not to do.

There is sense that the concept of subsidiarity should increasingly be the operating rule for relations among all levels of government, for:

- international organizations
- nation states
- provinces, regions, Länder, etc.
- departments, metropolitan regions, etc.
- municipalities
- and maybe even neighbourhoods (or boroughs, or arrondissements).

In all three countries visited, institutions have been established to ensure some higher level supervision over the delivery of services by municipalities, where there are regional or nation-wide aspects of services. In Germany, this is accomplished through arrangements whereby for half of the municipal programs, the municipalities act as agents of the Länder. This happens also in the Netherlands, and is buttressed by the fact that the mayors are appointed by the national government after the local elections. In France, the influence of the prefects is still very strong, especially in the smaller municipalities.

4.12 OTHER CONTINENTAL EUROPEAN COUNTRIES.

There has been a major trend towards decentralization and more autonomy for municipalities in continental Europe over the last 25 to 30 years. This has been a natural tendency in federal countries like Germany but has encountered more resistance in unitary states. The trend has resulted from popular demand for more participation in government and from pressure for more efficient government tailored to local and regional differences.

Decentralization has also come about in countries that have recently restored or established democratic systems. Shifts to democratic regimes took place first in Portugal, Greece, and Spain and more recently in the countries of Eastern Europe. In Eastern Europe a creative process is now being undertaken to establish democratic local governments no longer controlled through the command structure of the Communist Party.

Traditionally, the countries of Northern Europe have had stronger local governments than those of Southern Europe. The Scandinavian municipalities, for example, have had responsibility for the delivery of income security and health programs for years, whereas in Spain and Italy local governments have had few exclusive responsibilities. In 1984, local government employment (including regional governments) accounted for more than half of total public sector employment in Norway, Denmark, and Sweden and less than one quarter in Italy and Spain.

In almost all European countries except France stronger and larger municipalities were created in the 1960s and 1970s through a sharp reduction in the total number of municipalities by amalgamation. Belgium is the outstanding example.

Beginning in the 1970s, a regional level of government was created in many European countries that took functions from both the central government and the municipalities. In Belgium and Spain, the regions have sufficient power that the countries are now virtual federations. Of the four "motor regions" of Europe with which Ontario is associated, Baden-Württemberg in Germany and Catalonia in Spain are more like Canadian provinces, while Rhone-Alpes in France and Lombardy in Italy are more like regional governments.

Some countries undertook reforms in the 1960s and 1970s to simplify and strengthen local government. A major reform in 1970 in Denmark, for example, replaced a complex system of conditional grants and central government regulatory functions over the actions of municipalities with a simplified system "enabling local government to formulate local policy and bear the economic consequences of that policy."

A special mention might be made of Sweden, because it has undergone a greater decentralization of authority to the municipal level than any other country studied in this report. Sweden, with a population of less than 9 million, is divided into 24 counties and 280 local municipalities within the counties (the number of municipalities was drastically reduced in 1952 from 2,500). The counties and local municipalities together account for some 80 per cent of government employment in the country and are the deliverers of most government services. The county level is responsible for regional planning, specialized education, and the administration of all health programs as well as many social services. The local municipalities, in addition to standard municipal functions as in Canada, are responsible for compulsory elementary and secondary education. Just over half of local municipal and county revenue comes from their own income taxes, with less than one-quarter from national grants. The bulk of the remainder comes from a variety of fees and charges. Local autonomy and accountability, therefore, are central elements of the Swedish governmental system.

The latest tendency in Europe is for major cities and regions to be more European in their outlook and activities, a tendency that has given rise to some conflict among cities, regions, and countries. The cities and regions now have access to European Community funds, sometimes over the opposition of national governments. The cities and regions are seeking more formal recognition in European Community acts and structures. With the likely passage of the Maastricht agreement and the extension of high-speed trains into more European countries, European integration will increasingly be accomplished through inter-municipal

collaboration and interaction. Local government reform, based on the subsidiarity principle, is likely to result in systems of local government that are more and more alike.

4.13 ENGLAND AND WALES, AND SCOTLAND

Background

England, Wales, and Scotland—together known often as Britain—with Northern Ireland comprise the United Kingdom (population 57 million); all are governed by a highly centralized government in London, England. For local government purposes, Scotland (population 5.1 million) is legally separate from England and Wales (population 51 million); just about all functions except those concerning income support are presided over by the Scottish Office in Edinburgh, whose political head is the Secretary of State for Scotland, a minister in the U.K. government. Local government in England and to a lesser extent Wales is mostly under the purview of the Department of the Environment, whose political head is the Secretary of State for the Environment. (There is no separate Department of Local Government or Municipal Affairs.) Specific functions of local government, for example transportation and education, are also supervised by other departments of the central government.

These notes on Britain are somewhat longer than the notes on the other jurisdictions covered in this report. In part this is because of the novelty of some of the directions being taken, and the portents they may have for local government in other places, but chiefly it is because the trend in England and Wales, and to a slightly lesser degree Scotland, is manifestly different from elsewhere. It is a trend towards rather than away from entanglement of governmental responsibilities.

The authors of the recent book *Councillors in Crisis* claim that "British local government is alone amongst local governments in most of the democratic world in experiencing a severe erosion of its powers and influence." They argue that this erosion began in 1980, soon after Margaret Thatcher, leader of the Conservative Party, became prime minister. Other commentators, not necessarily supportive of Lady Thatcher, suggest that the erosion began as long ago as the 1940s—initially under a Labour government, and then through a succession of Labour and Conservative governments. All agree that the pace of change in the last decade has been extraordinary.

A reduction in the powers and influence of local government does not necessarily mean an increase in entanglement of functions. Indeed, if powers are reduced by managing formerly shared programs centrally, there could be disentanglement. As it happens, there has been a double trend in Britain—towards both a reduced role for local government and increased supervision of that reduced role.

A year before she became prime minister, Margaret Thatcher said it was necessary to devolve power "from Whitehall to town hall." (Whitehall is a London street lined with central government offices.) Soon after, her strategy changed. She said there was no such thing as

society, only individuals coming together for their own purposes. The object of reform became that of devolving power from local government officials, elected and non-elected, to the people. The job of central government was to get control of the reins of local government in the short term in order to achieve the reform.

One senior official began our interview with the observation that the Thatcher administration was modelled on that of Joseph Stalin; it was a centralizing oligarchy. An analogy with Marxist-Leninism may be apt. According to both Marxist-Leninism and Thatcherism the central government must first be strong so that it can later wither away. In the U.S.S.R. it was the proletariat who were to be liberated from the bourgeoisie; in the U.K. it was individuals, particularly individuals as consumers of local services, who were being liberated from self-serving local government. The ideology if not the practice of Thatcherism has much in common with that of the public choice theorists of the United States, noted in the present discussion of that country.

The pace of change in Britain has been, and continues to be, breathless. Here is some of what has been done in the last 12 years:

- **Financing of local government.** A succession of measures has interfered progressively with the ability of local governments to manage their own finances. From 1981, high-spending councils were penalized by tapering central government grants even to zero when expenditures were more than a set benchmark. From 1985, "rate-capping" was in effect, whereby central government set limits on what local governments could raise from property taxes, known in Britain as rates. In 1988, property taxes on residential properties were replaced by the per-person community charge, known universally as the poll tax, with amounts set by central government. Property taxes on commercial properties have continued, but are set, collected, and distributed by central government. From 1993, the highly unpopular and difficult-to-collect community charge is to be replaced by the "council tax," which combines features of the community charge and the property tax and, again, is to be set by central government. Since the mid-1970s, locally raised taxes as a proportion of municipal spending have fallen from about 33 per cent to less than 15 per cent.
- **Public transportation.** One of the most dramatic intrusions of central government into local matters has been the progressive privatization and deregulation of bus operations. There are now no more municipally run bus operations. Some have been converted into municipally owned corporations as a prelude to privatization; some have been privatized, occasionally with a management or employee buy-out. Deregulation has been almost absolute outside of London. Anyone meeting safety and management standards can run buses anywhere they want; the only requirement is to give 42 days notice of schedule changes. In each of the major metropolitan areas there are at least 30 companies offering bus services. Bus companies may erect stops wherever they can get police approval, and once a stop is erected any other company's buses may stop there. In major cities, buses of several companies can be seen plying the streets during busy periods, but there is little or no service at other times. Where and when there is no commercial service, councils may put a route out for tender and subsidize it, but only under very limiting conditions.

- **Competitive tendering.** Many municipal services must now be put out for competitive tender. A council's own employees may bid, if they are organized as a separate administrative unit or as what is known as a Direct Service Organization (DSO). Such a separate entity may bid only on work for the council or, by invitation, for other councils. For example, a council-owned DSO providing street repair services may not bid for work tendered by the natural gas or telephone companies. If such a municipal works unit or DSO is established and does not pay its way by winning enough work in the competitive tenders, it is disbanded by the central government.
- **Urban regeneration funds.** The central government mostly now makes these available only to public-private partnerships on a competitive basis, the criterion for the most conspicuous arrangement, the City Challenge program, being not need but quality of presentation to a panel of ministers under what is known as. A similar competitive bidding arrangement is contemplated for permission to spend funds on repairing municipally owned residential properties (known as council flats and houses).
- **Sale of public housing.** An early action of the Thatcher government was to require the sale to tenants of substantial portions of the extensive portfolios of houses and apartments owned and subsidized by local councils. Councils were severely limited in their ability to use the receipts of the sales.
- **Education.** Historically, management of schools has been a major function of local government in Britain. Now, individual schools are being invited to opt out of local government control, on a vote of parents, and manage themselves with a grant from the central government—a grant, incidentally, that usually represents more resources than the school would receive from its local council. (There now appears to be some caution on the part of central government with respect to this program, on account of its costs. A mass opt-out was threatened recently in one city; the Minister of Education went quickly to the area to discourage it.) Additionally, further education colleges, which offer technical and non-vocational courses to persons over 16 years, have been removed from local government control.
- **Municipal enterprises.** The policy of central government is to encourage the privatization of money-making enterprises owned by local governments—airports, for example. To encourage private rather than public investment in such enterprises, central government limits the amounts councils may invest in them. Whether or not the enterprise is presently successful is immaterial.
- **Planning and economic regeneration.** Ten urban development corporations have been established by central government in various cities in England and Wales. They have been given public land (often already improved by the local councils), substantial funding, and development control powers at least as extensive as those available to local governments.
- **Abolition of metropolitan governments.** The action of the U.K. government with respect to local government that attracted the most international attention in the last decade—other, perhaps, than the introduction of the poll tax—was the summary abolition of the Greater London Council and six other upper-tier metropolitan governments in England in 1985. This was mostly a matter of politics rather than evident incompetence: the councils were all controlled by the Labour Party, and managed their affairs in often confrontational ways. In abolishing the metropolitan

governments, the central government essentially put itself in their place, creating a plethora of centrally controlled, special-purpose bodies in the process. The evident (to a Canadian observer) resulting dysfunction of the urban regions, particularly London, has not caused the central government to reverse its decision. Indeed, it is now proposing to abolish the regional governments in Scotland, where they appear to have been successful by any standard and relatively uncontroversial.

Another feature of local government in Britain during the last decade or so has been the intense polarization of its politics. This has been both a cause and a consequence of central government actions. National political parties have dominated local government for decades, but before the 1980s there was fundamental agreement among the major parties as to the role of local government. A mostly collegial relationship existed between central and local governments—both were doing different parts of the same job, running the country. In 1986, a public inquiry by Sir David Widdicombe reported that,

... there can be no doubt that local government is increasingly seen today as an arena in which to pursue ideological values and objectives and to seek to bring about radical change. Broad policy statements are thus transferred from manifestos to become the overall policy of the authority—in the case of one Conservative London borough, "to reduce the size of the public sector," and for a Labour district council, "to bring about a fundamental shift of power and resources in favour of working class people."

Passions seem to be calming in the 1990s. This may be happening in part because many Conservatives in local government think that things may have gone too far for the health of local communities and for the country at large, and in part because some Labour councillors and supporters recognize that there may have been some good in the changes (although perhaps not much good) and that the actions of some Labour-controlled councils in the 1980s were both excessively antagonistic to the central government and unpopular. Another factor has been the change in prime minister. According to the *Economist* (Aug. 8), "Under Margaret Thatcher, Labour councils were loony lefties and Tory councils wets, to be bashed with hand-bag and poll tax. Now, John Major views them with attentive benevolence. Michael Howard, the Environment Secretary, talks incessantly of building bridges."

There has mostly been little evaluation of the effects of the various actions of central government with respect to local government. The most qualified observers note the recent huge increase in the degree of intervention by central government in local matters and suggest that on critical matters—for example, control of local spending—little has been achieved. They suggest further that the chief result has been a general decline in public effectiveness, both central and local; central government has strengthened its power, but it may have weakened its ability to use that power effectively.

One matter that has been monitored carefully, by the Association of Metropolitan Authorities, is the deregulation of bus services in the major urban regions (other than London, where it has not yet been introduced). Bus ridership has fallen by 15 to 20 per cent (with presumably a resulting increase in automobile use), subsidies have fallen, fares have risen by 25 to 30 per cent more than the rate of inflation (producing increased revenue for operators that is somewhat less than the reduced subsidy), vehicle-kilometres operated have increased by 5 to 10

per cent, and workers in the industry are working longer hours at lower rates of pay. Bus fares in Britain may now be the highest on average in the world.

The central government's radical actions continue apace, the current agenda being to transform local governments into "enablers" rather than "providers." Planned further actions affecting the management of local services include the following:

- **Citizens Charter.** This is a device for allowing citizens to assess the performance of local authorities and other government agencies. A set of 152 draft "performance indicators" has just been released by a national agency charged with administering the program. They prescribe costs and standards for a variety of local services such as police response times, accessibility of public buildings to handicapped persons, and the proportion of children receiving help. From 1993, each council will have to publish its performance according to the indicators. The results will be collated so that underperforming councils can be identified by both central government and voters.
- **Waste management.** Existing public operations are to be privatized and supervised by a new central authority to be known as the Environmental Agency rather than by the present, locally controlled regulatory authorities.
- **Building inspections.** More of this work is to be privatized. Construction of large buildings is to be inspected by a new corps of private inspectors, working for themselves. (Insurance problems are holding up implementation of this plan.) Inspection of most residential buildings under construction is already being done by private-sector interests in the form of the National House-Building Council. Local governments could be left to inspect only renovations and modest commercial developments, for which it is difficult to charge certificate fees that cover the costs of the inspectorate.
- **Deregulation of bus services in London.** A moderately successful system of route franchising was implemented here, rather than complete deregulation. Although potentially damaging to the vital public transit service in this large urban region, complete deregulation is nevertheless being pursued.
- **Privatization of water in Scotland.** Presently, regional governments manage water services in Scotland, but the U.K. government proposes to privatize them—following the recent privatization in England and Wales (where water had been out of the control of local government since 1974). The proposed privatization of water in Scotland is causing a major controversy. A recent poll showed that almost 90 per cent of the population is opposed to it, but the central government, which holds few parliamentary seats in Scotland, seem intent on implementing the proposal.

In addition to all of the above, the U.K. government has regulated the political composition of council committees, relationships between councillors and senior officers, payment of councillors, and the number of assistants that may be engaged by party groups of councillors.

On the other side of the ledger, there are plans to give local governments increased responsibilities for community care, protection of the environment, and economic development—all, however, within a framework of enabling service rather than providing it directly. There are

also plans to reduce the amount of supervision by the central government over the details of local government spending.

The point should also be made that some of what is being imposed on local government is also being implemented in the operations of central government. Over the last decade, more than 75 executive agencies have been established to manage what were functions of central government departments, and there are plans for the establishment of 27 more such agencies. These quasi-autonomous bodies run a range of services including driver and vehicle licensing and payment of social-security benefits. They now employ over half of the national total of civil servants. Moreover, competitive tendering is being introduced for central government functions.

Senior officials, elected and appointed, use strong language to describe what has been and is happening to local government. One said, "the tactic has been to rubbish the competence of local government and portray the centre as rescuing local taxpayers from disaster." Others believe local government in the U.K. may be doomed, that it may be abolished altogether during the next five years—particularly if the proposed council tax is as problematic as the poll tax, which is said to be likely.

Thoughts about the diminution and possible disappearance of local government in the U.K. are often linked to discussion of the increasing role of the European Community. More than one respondent suggested that the progressive interference by central government in local matters is in part a response to the assumption of national powers by the European Community. The complaint has often been voiced by members of the U.K. parliament that soon they will have little to do because of increased control by the Community.

The paradox regarding Europe is that, as noted elsewhere in this report, within the Community the principle of subsidiarity prevails, at least in theory—meaning that government services are managed and delivered at the most local possible level. Moreover, Europe is said to be becoming a community of city-based regions rather than an association of nations. In this spirit, some local governments in the U.K.—notably Birmingham District Council, the largest in England and Wales, and the even larger Strathclyde Regional Council, which includes the City of Glasgow in Scotland—have established offices in Brussels and have become adept at securing funds from the European Community for development purposes, in spite of opposition from the U.K. government.

One respondent suggested that Europe may be the salvation of local government in the U.K., in one of two ways. The Conservative Party, which is deeply divided on European issues, could fracture, lose power, and thus make way for a central government more sympathetic to local government. Another possibility is that the present government could agree to the implementation of subsidiarity within the U.K. as a trade-off for adherence to even more strongly held ideological positions such as those on labour issues. (Another respondent cautioned that subsidiarity to the U.K. government means devolution from the European Community only to the national government, not to local government.)

The services of immediate concern to Ontario's disentanglement process have mostly been touched on in the above discussion. Policing is a nominally a local government responsibility, except in London. Social assistance is managed and delivered centrally, although some benefits are delivered locally. Roads are managed locally, except major roads and expressways, but with rapid progress towards privatization of operations. Urban bus services outside London are mostly deregulated and privatized, with minimal involvement by local government that mostly takes the form of subsidization of unprofitable routes. (In some major areas, local government provides larger subsidies to support commuter and other rail services operated by the national railway service.) Property assessment is supervised centrally, and has been essentially privatized.

Funding of local government varies by type of municipality and from place to place. The breakdown for the largest local government in Britain, the Strathclyde Regional Council, an upper-tier government serving some 2.3 million people, is illustrative. The gross income in the year ending March 31, 1991 was approximately \$4.3 billion. Of this, some 48 per cent was received in unconditional grants from the central government; another 6 per cent was received in conditional grants; and another 19 per cent was received from central government as Strathclyde's share of property taxes on business. The poll tax yielded 15 per cent of revenue. Other income provided the remaining 12 per cent.

Accountability

In Scotland, where the intrusions of central government have been fewer, and strong regional governments are in place, local government appears to be regarded as relatively more accountable for its actions than in England and Wales. Other factors may be the twist provided by strong moves towards Scottish nationalism within Europe, the vibrant reporting of local issues in the Scottish media, and a possible moderating influence of the Secretary of State for Scotland.

For England and Wales, the conclusion of the authors of *Councillors in Crisis* may be more apt: "Many decades of growing centralization and the hiving-off of certain functions to non-elected agencies have lowered the electorate's expectations of local democracy."

The experience in Britain suggests that the accountability for raising revenue and accountability for service delivery are not necessarily related. During the last 12 years the proportion of local government funds under local control has increased and then fallen, and all the while central control over services has increased.

One feature of the present arrangement of local government in Britain may be the large average size of the units compared with those of other countries. Data in the 1986 Widdicombe report give the average population per unit for several industrialized democracies; the average for England and Wales was given as 123,000—more than four times larger than the next largest average, which was that for Sweden. The data also showed that in the U.K. there are on average many more voters per elected representative than in other countries. The authors of *Councillors in Crisis* suggest that the large units and span of representation are an impediment to democratic accountability; moreover, the large units beg the question, the authors

say, as to whether local government in Britain is 'local' in the sense in which it is understood elsewhere.

Cost effectiveness

Individual cost centres in local government may well be functioning more efficiently than before the massive incursion of central supervision and the move towards privatization; savings resulting from the latter have been estimated at seven per cent. However, overall expenditures of government may well have increased, reflecting the costs of the supervision.

Costs of government may also have increased on account of the fragmentation of activities. One respondent made the point that both transit operation and highway building may well be carried out more efficiently under the present systems than before. However, the 'efficiencies' resulting from withdrawal of subsidies to transit operators have involved reduced service and increased fares. As a result, there has likely been an increase both in automobile use and in the need for highway construction and for highway subsidies in excess of whatever transit subsidies were withdrawn. When everything is compartmentalized, local efficiencies may be spurious.

Use of local revenues

Historically, property taxes in Britain were used for property-related services and, following the Poor Laws, for social assistance. However, there appears to be no strong sense today that any one kind of tax should be used for any particular service. The objections to the poll tax have been based on its unfairness (everyone except the very poor pays the same amount) rather than on its appropriateness as a source of revenue for local government.

The political left in Britain has generally opposed earmarking of taxes, but this view may be changing in response to the urgent need to secure funds for particular services. Opposition to user fees as a source of government revenue also appears to be weakening.

Strategic planning

One respondent said, "the U.K. government has temporarily lost the will to approach any problem in other than an ultra short-term quick political fix mode." Where there are agencies in place to carry out or advise with respect to strategic planning, their advice is generally ignored. For example, the London Planning Advisory Committee (LPAC), a joint committee of the 33 London boroughs, was established when the Greater London Council was abolished to provide advice to the Environment Secretary, who became responsible for strategic planning in the London region. The LPAC produced a framework for long-term planning in 1988. The central government responded in 1989 with the following terse statement: "London's future depends on the initiative and energy of the private sector and individual citizens and effective cooperation between public and private sectors, not on the imposition of a master plan."

The LPAC continued its work and, with other public-sector agencies, commissioned Coopers & Lybrand Deloitte to prepare the study *London: World City moving into the 21st Century*, published in November 1991 partly in the hope of making strategic planning for London an issue in the parliamentary elections in 1992. It failed.

The administration of the largest municipal government, the Strathclyde Regional Council, admits difficulty in engaging in strategic planning.

Anyone who seeks support for the position that entanglement and inability to plan go together will find it in Britain.

Understanding of local government

There are mixed views as to the degree of understanding of local government and local-central relations. A recent survey, *Public Perceptions of Local Government: Its Finance and Services*, commissioned by the Department of the Environment and involving nearly 3,000 adults living in England, found that 69 per cent knew which municipality they lived in and 66 per cent knew which political party controlled the council. In London these proportions were 92 and 77 per cent, respectively. When asked to allocate services according to providers, most services were correctly allocated by a majority of respondents. The author claimed that his results were consistent with those of previous surveys.

However, the authors of *Councillors in Crisis* used the results of one of those previous surveys—prepared for the Widdicombe inquiry—to show that the public is generally not well informed about politics.

The more recent survey indicated that role of central government in local government finances is little understood, in terms of both the funds provided by central government and the supervision it exercises. This may be the point of similarity among the survey results. One of our respondents said that "most citizens have only the haziest idea of the boundary between central and local government." Turn-out in local elections is relatively low.

Taken together, these results suggest an alert electorate that may have lost interest in local government because of the confusion that surrounds it. Interest and understanding may both be greater in Scotland, where the basic structure of local government has been unchanged since 1975.

Intergovernmental relations

Our various respondents described central-local relations as hostile in Scotland and even worse in England and Wales, although there are signs of improvement everywhere with the changed attitude of central government—although not yet a changed agenda. The qualification was often added that while public relations may be politicized and even poisonous, privately there is substantial cooperation among officials for the sake of getting things done.

Further comments

The central government has launched a review of the finance, structure, and internal management of local government in England and Wales. Its agenda, according to the Association of Metropolitan Authorities (AMA), is as follows: Should there be a one-tier system of local government throughout the country? Should local authorities have fewer functions? Should there be elected chief executives? Should there be fewer councillors? How can central government control standards?

The question about one-tier local governments, according to one respondent, is part of the central government search for cost savings. Overlapping tiers and shared responsibilities are seen as wasteful.

The AMA and two other national associations have responded to the central government's agenda with additional questions: What principles should underpin local government? How can the standing of local government be enhanced? Should additional functions be transferred to local authorities? Should local government have a power of general competence? Should property taxes on businesses be restored to local government?

One of the problems for local government in the U.K. has been the multiplicity of representative associations. A proposal to combine three local government associations to provide a unified voice for local government in England is being opposed by the central government. More surprisingly, MPs in the opposition parties have reservations too.

The present account of local government in Britain has perhaps been somewhat doom-laden in its assessment of recent happenings and apparent trends—reflecting the general pessimism of our respondents. Not all participants in local government are pessimistic. In a recent article in *The Times*, "Doing away with the doom-mongers; Local government must shed its inferiority complex if it is to remain an influential part of our democratic system" (Aug. 12), the chairman of the finance working group of the Society of County Treasurers suggested that "Local government has forever been losing and gaining powers and responsibilities." The author went on to say,

Moreover, there is a much wider role for local government than just service provision, which is about ensuring the quality of life in its area, shaping and planning the environment in which people live and work. Councils should be reflecting the culture of their communities and encouraging open debate and influence in their areas, whether in local affairs or through national and European policies.

A subsequent letter to the editor, from a resident of the county served by the author of the article made the most spirited case for the U.K. government's position that we encountered:

[The author made] the same mistake as other apologists for the enormous cost of local government by assuming that local services must be provided by complex local bureaucracies.

Local government is a collection of unrelated services held together by the common need for finance. In management and operational terms there is no reason why road, education, planning, social services, fire refuse, libraries, environmental health, and

trading standards should be run by the same organization. Nor is there any justification for their being discharged by public employees nominally controlled by councilors elected by a tiny minority of the electorate.

Apart from a small group of publicly accountable officers of high quality with responsibility for policy, strategic planning, and finance, all local government services could be privatized.

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5. DISCUSSION OF THE EXPERIENCE OF OTHER JURISDICTIONS

5.1 GENERAL COMMENTS

Before launching into an attempt to tie together our perceptions of intergovernmental relations and related matters in the jurisdictions chosen for study, we should make two substantial qualifications. The first is that the enormous variation in history, basic structure, culture, and practice among the jurisdictions makes any kind of categorization an extremely risky and possibly foolish exercise. The second is that the scope of our research has been limited by available time and resources mostly to the collation of opinions and impressions. There are no properly comparable data in this report on such matters as financial arrangements, local government spending as a share of gross domestic product, efficiency and effectiveness of government, the contribution of local government to local and national economies, the quality of services and infrastructure provided by local government, and understanding of and participation by the general public in local government. Such data could be secured, although at a cost that may not be justified by the present purposes of this report—the chief of which is to provide participants in Ontario's disentanglement exercise with a sense of pertinent things that are happening elsewhere.

Another important qualification, already stated, should be repeated. It is that our judgements of what is happening in particular jurisdictions are not necessarily shared by all our respondents—although invariably there is at least one respondent (or one authoritative item of documentation) in agreement with each of our observations and conclusions.

In this section, we provide an overview of the commentaries in Section 4 and discuss them in relation to the assumptions underlying Ontario's disentanglement exercise that we noted in Section 2.

Canadian provinces

The four Canadian provinces we examined fall readily into two groups with respect to disentanglement. British Columbia and Quebec evidence the greatest amount of disentanglement of provincial and municipal responsibilities; they are also the provinces in which municipalities have the fewest responsibilities—virtually none in the social services area—and raise the highest proportions of their own revenues. Municipalities in Alberta and Nova Scotia do more, particularly the large municipalities in Alberta; but there is also in these provinces, particularly Nova Scotia, a greater dependence on provincial funding and a greater degree of provincial supervision of municipal activities. In both Alberta and Nova Scotia, there are moves to un-

ravel provincial-municipal relations, but present proposals are unlikely to produce as much disentanglement as is evident in British Columbia and Quebec.

Thus an initial generalization is that, at least within the Canadian constitutional framework, the extent of the authority of municipalities, on the one hand, and the degree of *entanglement*, on the other, go hand in hand. The proposed legislative changes in Alberta will increase further the scope of authority of Alberta's municipalities, and should certainly reduce regulatory entanglement, but the result will not necessarily mean less overall entanglement; it could mean more if a watchful provincial government monitors and circumscribes financially the new found legislative freedom of the municipalities. Disentanglement, to the extent that it proceeds, is more likely to be the result of changes in funding arrangements and in the way in which the fiscal activities of municipalities are regulated and supervised.

Other countries

The other countries we examined fall less neatly into two groups. The first includes Japan and countries in continental Europe, where local government is mostly strongly empowered and richly resourced by Canadian standards and seems likely to become more so. The second group includes the United States, Australia, and Britain; they resemble Canada more in that local government is relatively poorly empowered and resourced.

What characterizes the first group of countries above all is a legislated share of the revenues of central government or a broad range of taxing powers—more usually both. In most of these countries, local governments (often existing at more than one level) occupy a larger proportion of total government spending than senior governments and provide a larger proportion of the totality of government services. In a very real sense, local government is 'the government' for citizens of these countries.

Countries in the second group appear to have little in common, except English as the dominant language. Two of these, the United States and Australia, are geographically extensive, federated countries resembling Canada, where there are relatively local autonomous governments (states and provinces) with constitutional responsibility for the oversight of local government. The third, Britain, is currently the most centralized state of all those examined. In all three countries, ideology—specifically the "public choice" theory of government—has played an important role in the weakening of local government. The theory originated in the United States but is finding its most extreme expression in Britain, where some feel that the very existence of local government is at stake. However, the reasons for the relative weakness of local government in the countries in this second group, and in Canada, go far beyond the influence of a particular political perspective.

A conundrum for the authors is that whereas in Canada scope of authority and entanglement appear to go hand in hand, as suggested above, in other countries something approaching the reverse may true. Generally speaking, the countries in our first group evidence less central-local entanglement than the countries in our second group.

Our tentative conclusion at this point is that the question of entanglement vs. disentanglement is important, but even more important for the social and economic health of a country may be the scope of authority and responsibility of its local governments. If within a particular country or state or province disentanglement can be achieved only by reducing the authority and responsibilities of local government, then it may be better to leave things as they are.

5.2 ACCOUNTABILITY AND UNDERSTANDING

Accountability is a slippery concept. It has three kinds of meaning in discussions of government, corresponding roughly to perceived responsibility, actual responsibility, and the extent to which decisions have to be answered for. (Voters might hold a local politician accountable for a program that another level of government is responsible for, but the politician will never be held to account for the program because he or she will not be running for re-election.)

The majority of our respondents said that local governments are more accountable than senior governments. They were more often using the first or the third meanings of accountability rather than the second.

The perceived level of responsibility of local governments is generally high, and invariably higher than the actual responsibility. People often think local governments are completely responsible for the services they deliver, even though the rules are made elsewhere—an example being the delivery of social welfare programs by prefectures in Japan. People sometimes think that municipalities are responsible for services that they do not deliver—an example being policing in Germany.

There is little confusion, however, as to which governments are more answerable on a day-to-day basis for their actions. Local governments are seen as more accessible, providing more opportunities for input before decisions are made and more open decision-making. There is less opportunity for accountability at elections in places where local councils are not organized along party lines, but there is also little evidence of great concern to introduce party systems in those places.

Our survey did not reveal much support for an important assumption of Ontario's disentanglement process: that if municipalities raise all their own funds they are more accountable for what they do. In many of the jurisdictions we examined, accountability for raising revenues is distinguished from accountability for the appropriateness and quality of services. The device for achieving the clear distinction is transfer to municipalities of negotiated proportions of the taxes raised by senior governments, as happens in Japan and in the countries of continental Europe.

However, in the Netherlands, where the split between responsibility for raising funds and for spending them may have been taken the farthest (90 per cent of the revenues of that coun-

try's generously endowed municipalities are raised centrally), there is a feeling in the main cities at least that there should be more reliance on local revenues. In particular, property taxes—which provide only 2.5 per cent of Rotterdam's revenues, for example—should be increased so as to facilitate disentanglement and enhance local accountability.

The nearly unanimous response from respondents in the jurisdictions we surveyed was that accountability of all kinds increases with the degree of local autonomy, but that local autonomy does not necessarily mean that municipalities must collect the taxes to pay for the services they deliver. Often fairness demands that a tax be collected on a broader base than a particular municipality. Local autonomy and accountability then depend on the sufficiency and firmness of the arrangements for the distribution of revenues among municipalities.

Good understanding of local government is critical to effective public accountability. The ingredients for good public understanding appear to be a stable local government system based on the principle of subsidiarity, a simple structure with few tiers and special-purpose bodies, involvement of political parties, and a culture that respects the importance of government in the realization of communal objectives. These ingredients are mostly in place in Germany and Scandinavia.

5.3 FINANCIAL MATTERS

It was hard not to be impressed by the range of reliance on own sources we encountered in our survey: from Quebec, where over 90 per cent of municipal revenues are raised locally, to the Netherlands, where the proportion is less than 10 per cent. What works best? It's hard to say. We would venture that the optimal arrangement lies somewhere in between.

If the widest range of services is to be managed at the local level then reliance on taxes collected within local jurisdictions, even if local taxing powers are substantially broadened, can lead to large discrepancies among municipalities within the same country and, indeed, within the same urban region. On the other hand, if just about all taxes are collected centrally and spent locally, there is a strong likelihood of entanglement and loss of autonomy. The solution may be what obtains in Sweden and Germany: a high level of local dependence on central funding that is allocated unconditionally according to negotiated formulae, with municipalities being required to comply with specific policies and meet certain standards of service delivery rather than spend money in particular ways.

The problem with this solution is that there can be no clear safeguards against the practice of what is known in Canada as downloading of responsibilities—i.e., central governments giving municipalities more to do without the funds to do it—that do not add to entanglement. Even in Germany, and probably in Sweden, there are strong complaints about insensitive standard-setting by senior governments that burden local governments with unreasonable costs. A par-

tial answer lies in more dialogue and negotiation on an equal basis between central and local governments.

We found mixed responses to the assumption underlying Ontario's disentanglement exercise that property taxes should be used only for local services and not for education or income support. Where this view seems to be strongly held, as in British Columbia and throughout Australia, it appears more a matter of a defence against downloading and other unpredictable incursions than a matter of ideology. In most jurisdictions surveyed, the prevailing view seems to be that a tax is a tax, however levied, and that locally raised taxes should have no different status or special application.

However, even in jurisdictions where local taxes are not viewed differently from other taxes—for example, in Japan—there is nevertheless some earmarking of certain tax revenues. Such earmarking is usually a device to make a new tax more palatable, or to ensure revenue for a service the need for which is very closely related to the frequency of occurrence of a taxable activity. Ontario's tire tax falls potentially into the latter category; the need for recycling facilities is closely related to sales of tires. A tightly earmarked tax may amount in effect to a user fee; a tire tax is a fee to cover the costs of managing the tire when the owner discards it.

An almost universal feature of the jurisdictions studied is the replacement of taxes with explicit user fees. This is often achieved by establishing self-financing, municipally owned corporations or by partial or complete privatization. Such strategies run the risk of pricing services beyond the reach of the poor—as appears to have happened in the case of public transit in Britain—but they can also mean a reduced tax burden, both because revenue from fees replaces revenue from taxes and because a requirement for self-financing can enhance efficiency.

But we also found suggestions that improved cost effectiveness in the delivery of particular services may be achieved only to the detriment of broader cost effectiveness. This kind of observation was made to us in both Britain and the United States. In Britain, it was made specifically with respect to public transit, notably the possibility that the quest for cost effectiveness may be causing increases in automobile use, more wear and tear on roads and more demand for road improvements, and resulting greater overall costs to government than before.

Notwithstanding these problems of fairness and general cost effectiveness, we found that user fees and their fiscal cousins, earmarked taxes, are now being advocated even by former opponents on the political left. These advocates add a further reason for earmarking to those given above: earmarked taxes may be the only available sources of revenue for needed services, and user fees for other services may release tax revenues for the needed services.

Almost all our respondents believed that local governments deliver their services more efficiently than central governments deliver their services; some mentioned surveys showing that the public believes this too. However, the fact that local government may be presently more efficient does not mean that transferring responsibility for delivering certain services to local government will necessarily increase the efficiency with which the services are delivered;

economies of scale might be lost. But even if economies of scale are sacrificed by such a transfer, there might be compensation in the form of what can be called economies of proximity. This phrase refers to savings that can be achieved when two similar services are delivered within the same administration—inspection of buildings for structural safety, on the one hand, and for fire protection, on the other, is one example.

We were not able to find evidence that disentanglement increases or decreases costs, and thus we were not able to test one of the assumptions of Ontario's exercise, namely that disentanglement will reduce costs. However, most of our respondents believe that it will.

5.4 STRATEGIC PLANNING

Another area in which we found a wide range of practice is strategic planning, which we take to be a process of anticipating the needs of the next several decades in decisions about the deployment of present resources. Strategic planning appears to be a strong feature of local government in Japan and in the countries of continental Europe, and not so evident in the activities of local government in the other countries covered in this study, including Canada.

The critical variable seems to be the extent of empowerment of local government rather than the degree of entanglement or disentanglement of local and central governments. Local governments that provide a wide range of services, such as those in continental Europe and Japan, also appear to be those that plan most systematically for the long term. To a degree, entanglement of activities may facilitate strategic planning, as in Japan. For municipalities, entanglement can provide broader perspectives on the impact of particular decisions and strengthen knowledge about significant aspects of the governmental environment.

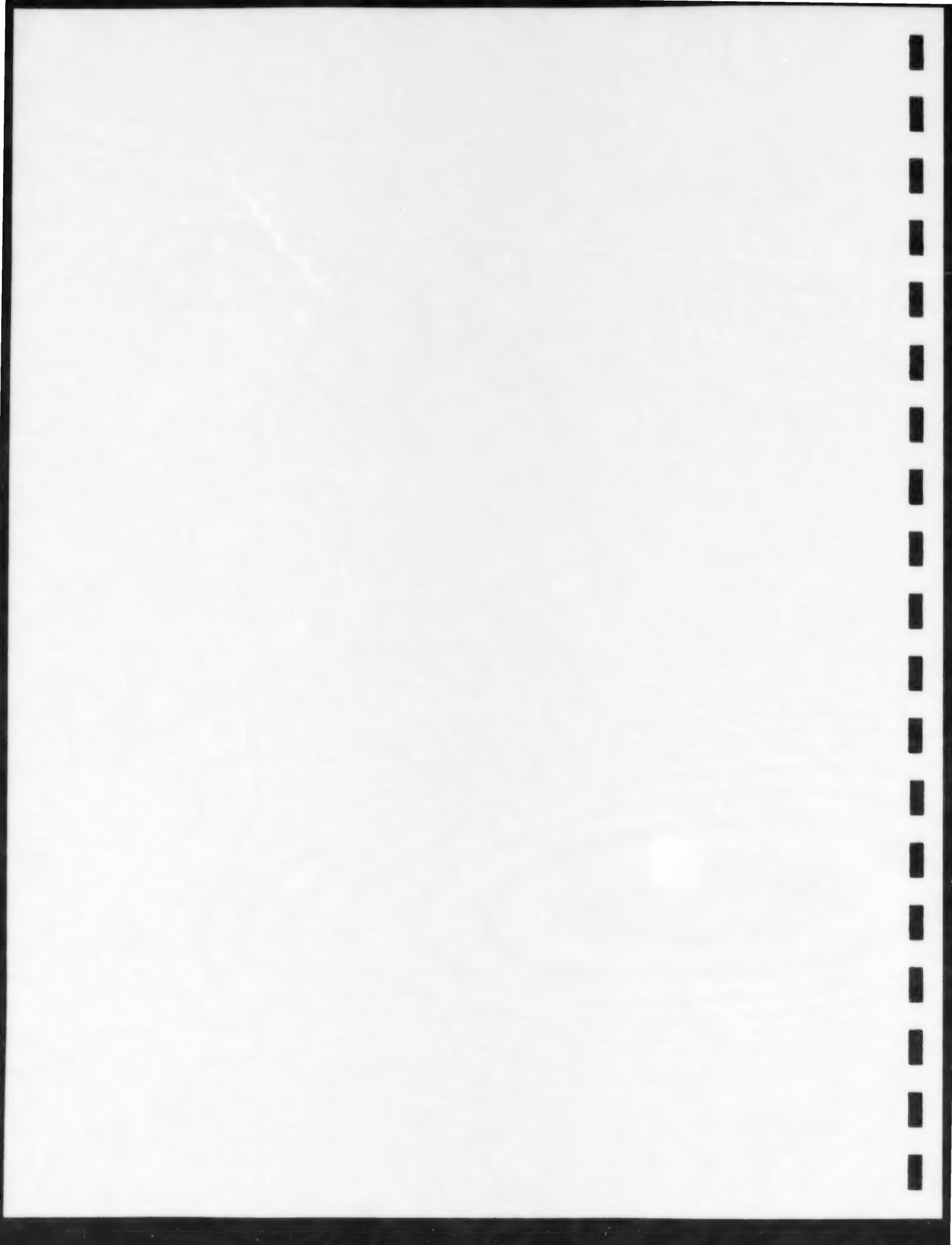
Generally, however, outside Canada, the municipalities providing the greatest range of services are also those that have the greatest autonomy and suffer the least entanglement, and thus some conformation can be provided for the assumption of Ontario's disentanglement exercise that disentanglement will enhance strategic planning—if the scope of municipal authority and responsibility is also increased.

5.5 INTERGOVERNMENTAL RELATIONS

We found it more difficult to generalize about this matter than any other partly because even the willingness to talk about relationships varies so much from culture to culture, and the character of the relationships themselves varied even more.

Our very tentative generalization on this point is that both disentanglement and empowerment are conducive to good intergovernmental relations; the former because it reduces the number of opportunities for disagreement; the latter because it moves local governments into more equal relationships with their senior governments. However, we can point to contrary examples even within our limited sample.

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6. OVERVIEW OF GLOBAL PHENOMENA AND TRENDS

6.1 THE CHANGING WORLD SCENE

In all parts of the globe the relative responsibilities of different levels of government are changing. Nation states are losing much of the central role in the world system they have had since the 19th century.

On the one hand, international organizations are becoming stronger as the world tries to cope with issues that transcend national boundaries. In Europe, the European Community has taken over many of the functions previously the preserve of its member states. International negotiations on economic issues have led to national actions being circumscribed as a result of free trade agreements or of IMF or GATT regulations.

Nation states are also losing power to sub-national bodies as more and more recognition is being paid to the claims for greater autonomy of specific regions and cultural groups. Some federations are breaking up—like the former Yugoslavia, the U.S.S.R., and Czechoslovakia. Unitary states are becoming federations—like Belgium. Other countries—like France, Spain, Italy, South Korea, and China—have been creating new sub-national units of government or bestowing new powers on provinces or regions.

As the nation states lose power, regions and cities have been taking on new activities. Regions like Scotland or Catalonia are developing links with the European Community and with other international organizations. In our own country, Quebec has been developing a highly sophisticated set of linkages with international organizations and with regions in other countries. Ontario has established twinning arrangements with regions in Europe and Asia. Because urban matters are the prime area of responsibility of many of these sub-national regions, these twinning arrangements are giving rise to more direct links among cities in different countries. Montreal, Vancouver, and increasingly Toronto are becoming major international actors. Probably the most elaborate international gathering and negotiation session in Canada last year was the World Cities and their Environment Congress, hosted in Toronto in August 1991, which prepared a declaration of municipal commitment on environmental issues for the Earth Summit in Rio de Janeiro in June 1992. Mayors and other senior representatives of 130 cities in 75 countries on all continents took part.

Within Europe, as national powers and boundaries break down, cities and urban regions are becoming independent actors in determining the future shape and direction of the continent. In the United States, where the states have traditionally had less authority over urban matters than in Canada, cities are also increasingly becoming independent forces on the national and

international scene. Continental trends in economic development are being determined by such factors as public-private collaboration at the municipal level in the expansion and role of major municipally managed airports. The City of Atlanta, in close collaboration with the largest corporations there, is determined to make the 1996 Olympic Games a vehicle for economic and social progress, with minimal state and federal involvement.

The concurrent global trends of internationalization and localization in the governmental area should come as no surprise. They are working in parallel with similar forces in the private sector. As national trade barriers break down, large companies lose their national identities and begin to become international organizations, making their strategic decisions on a global or continental scale. Even small companies, with the loss of tariff protection, have to prepare to seek new markets in other countries and compete more effectively at home with foreign competitors.

This internationalization of planning and broad decision-making in the private sector is being accompanied by a revolution in management practices and structure. Hierarchical structures and centralized production are being replaced by small head offices devoted to global decision-making. Layers of management are being removed with operational decision-making decentralized to local production or servicing centres. Previously centralized production is being contracted out to independent, more flexible suppliers. Franchising arrangements with independent operators are replacing branch operations. Management consultants are urging companies to strive for structures that can adapt quickly to changing competitive pressures and the local environment. Local accountability within broad objectives, unfettered by complex decision-making or bureaucratic controls, is the accepted framework.

To sum up, both the public and private sectors are and will increasingly be operating within a context of "thinking globally and acting locally."

These global forces have led to some new or revived concepts of the roles and responsibilities of government that have direct relevance to the concept of disentanglement. Perhaps the most current is the concept of subsidiarity enshrined in the Maastricht agreement of December 1991 on the future of the European Community. As Dan Soberman, Professor of Law at Queen's University, wrote in the May 1992 issue of *Network*,

The Europeans have revived the 19th century concept of subsidiarity: decisions should be taken as far down the hierarchical power structure as possible when there are no serious losses in efficiency. We need to be sensitive to the benefits of democracy and participation when decisions are reached closer to the people.

Originally the term subsidiarity was used in the Roman Catholic Church "to denote that political and social decisions should not be taken at a higher level than necessary." It is being used by the European Community in "a determined effort to prevent European Community institutions from interfering in many areas of the daily lives of citizens ... giving impetus towards setting a clear, and legally enforceable, dividing line between the powers of the EC and its member states." Former French president Giscard d'Estaing, who prepared a report on the concept for the European Parliament, argued that "decisions should be taken at the lowest level commensurate with efficiency."

These concepts and the current debate in Europe have a direct relevance for the relative responsibilities of municipalities and the level of government above them. In Germany, the connection is most obvious because a set of compatible principles is seen as governing the responsibilities of each level of government from the municipality to the Land (province), the federal government, and the European Community. In each case the working assumption is that the delivery of services should be a responsibility of the lowest practical level, within the framework of broad frameworks or conditions developed at the next higher level. The level of government delivering the service has direct input into or even approval capacity over the establishment of the framework.

6.2 TRADITIONAL ROLES OF GOVERNMENTS ARE BEING QUESTIONED

At the same time as government responsibilities are moving simultaneously away from nation states to international bodies and local or regional governments, so traditional government roles are being questioned. As one of the officials interviewed in Germany commented, the principle of subsidiarity can be applied both to the decentralization of governmental responsibilities and to the transfer of some responsibilities from the public to the private sector.

Increasingly, the role of government is seen to be the establishment of the rules governing society, the broad direction of policy, and a framework to ensure that citizens are dealt with equitably and have adequate opportunities to better their lives. There is a continuing debate in all parts of the world as to the role of the public sector and how far governments should intervene in social and economic issues. There appears to be consensus that government has an important role in setting objectives, but there is also an increasing belief that creativity and flexibility should be the norm as to the means of achieving objectives.

When it comes to the role of local governments, there are parallels with the changes in the private sector mentioned in the previous section. For experimentation and creativity to work in the achievement of program objectives, local governments need to be judged on results, not on means of achieving results. This requires a reduction in bureaucratic controls, whether the controls are applied through conditional grant programs or through legislation. Laws that spell out in great detail everything a municipality can do and how it must be done—such as Ontario's *Municipal Act* and such legislation in other provinces—are a relic of an earlier concept of public management. Legislation that performs the role of a constitution—in Ontario this would be a provincial-municipal constitution—setting out broad roles, norms, and objectives is more conducive to an adaptable public sector.

The Thatcher and Reagan revolutions have raised many questions about the roles of governments at all levels, not only in Britain and the United States. The degree of privatization and reliance on the market engendered in those two countries may have resulted in an undermining of the concepts of social justice and equity when applied to broad programs, but it has also given rise to healthy questioning of the most appropriate means of delivery of services.

So long as broad standards are applied and local governments maintain accountability for ensuring that local residents are provided with adequate services, a more unfettered and disentangled governmental environment can foster creative and cost-effective means of providing services. This may be through municipal corporations that provide services such as water, waste disposal, and transit, on more of a user-pay basis than has been customary. It may be through the provision of some local services by non-governmental community groups, perhaps with the involvement of local business. Traditional boundaries between the public and private sectors at the local level are disappearing in areas such as the provision of day care and training. The use of local institutions like schools for activities sponsored by public, private, non-governmental agencies or a combination of agencies can be a powerful means of strengthening local communities.

In our visits to other countries we were struck by the much greater degree elsewhere of private-sector involvement in community activities. In European countries such as Germany and the Netherlands, there is a long tradition of public-private collaboration in the development and implementation of economic and social policies. Links among the school, the community, and the work place are often much closer than in Canada. In the United States, the revitalization of local communities and the planning of urban regions are often led by the private sector. Local financial institutions, in collaboration with local governments, have taken on roles in the provision of housing and in community economic development. In the U.K., the privatization of many local services has had a variety of results—some successes and many failures.

We were impressed by a growing belief among urban experts that future prosperity may depend on dynamic and thriving communities in which all sectors of society work together. For this to be effective, the governmental framework must be one where decision-making responsibilities are decentralized and where sectoral compartmentalization is avoided.

6.3 SMALLER CENTRAL GOVERNMENTS, USUALLY MEANING MORE LOCAL RESPONSIBILITY

These trends towards simultaneous globalization and localization, and towards a blurring of distinctions between traditional roles of the public and private sectors, have direct implications for the roles of different levels of government. The countries that adapt their structures to accommodate these trends will be in the best position to face the challenges of the 21st century.

In the context of these trends, disentanglement should not mean the development of watertight compartments for different levels of government—for example, correctional services for the provincial government and policing for the municipalities. Rather, it should mean the allocation of responsibilities so that those aspects of public activity that can best be performed at a national, provincial or local level be carried out there, and that intergovernmental relations be made simple and clear. François Bergeron, in *l'Express* of Toronto on November 10, in an

editorial entitled "No to complicated solutions," wrote that after the defeat of the Charlottetown agreement "the only major acceptable reforms will be those that try to simplify our system of government and eliminate duplication of jurisdictions and the waste of public funds."

The global trends we have outlined imply that governments in the 21st century will increasingly be seen as part of a spectrum from international to local, through national, provincial, and regional levels. Just as in the private sector, the international and national levels of government will be establishing the broad frameworks and standards within which society functions. The provincial and regional levels will be concerned with strategic planning and with the assurance of minimum levels of economic and social standards, while the local and community levels will be the primary deliverers of service and the primary interface among the various sectors of society in securing the development of individual communities. The most effective local governments in this context will be those that can provide one-stop service for the range of government services and that can integrate programs of all types across those services.

The rejection of the Charlottetown Accord will probably, as Tom Courchene wrote in the *Globe and Mail* on October 27, force Canada quickly into the type of readjustments now being made in Europe. In other words, the legitimacy of our national government and of east-west solutions to national issues has been undermined. Adaptations to global forces will have to be faced more quickly by individual regions and urban areas within Canada. For a province the size of Ontario, flexibility will need to be given to individual regions to adjust individually to changing circumstances—particularly in light of the challenges and opportunities posed by a more integrated North American economy. Where regional governments exist that cover the logical territory of urban regions, Ontario has an advantage over American competitors. In areas like the Greater Toronto Area, new arrangements may have to be forged so that the economic region can adapt as a whole.

The challenges facing Ontario's urban regions will require the development and integration of strategies that combine the efforts of the private and public sectors. In this respect, American cities have a longer tradition of joint public-private collaboration at the local level. For it to work in Ontario, strong local or regional governments need a provincial government willing to provide the flexibility and support for creative and dynamic action.

In political terms, it may also require an assurance to those alienated voters—particularly those outside the urban regions—that their everyday lives will be less controlled by political and administrative decisions of remote political leaders and bureaucrats in Ottawa or Queen's Park. The alienation that is so apparent outside the metropolitan areas—whether they be "no" voters in rural or northern Ontario in the recent referendum on the Charlottetown accord or "no" voters from rural France in the recent Maastricht referendum—can only be overcome by moves that give them a greater say in the day-to-day decisions that affect their lives.

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7. CONCLUSIONS

Our review of the history of provincial-municipal relations in Ontario, of what is happening in other jurisdictions, and of certain global trends has led us to many conclusions that might prove relevant to Ontario's disentanglement exercise.

Disentanglement is essential

Our first conclusion is that the provincial-municipal disentanglement exercise is not only valid but essential if the government structure of Ontario is to help residents of Ontario cope with the challenges of the 21st century. A simpler provincial-municipal relationship within which local governments are accountable for delivering a wide range of services in the context of overall provincial policies and standards is a highly worthwhile objective. Carried out effectively, the disentanglement process can reduce the overburden of bureaucratic regulation, promote creative and dynamic adjustments to changing conditions, restore local autonomy and citizen involvement in government, and result in a more cost-effective public administration.

Disentanglement requires a comprehensive approach

Our second conclusion is that the current phase of the disentanglement process may be aiming too low. Ontario became a world leader in municipal affairs when it established Metropolitan Toronto. At the time, government leaders in the United States, where similar problems of urban sprawl were being faced, marvelled at the legislative capacity of the Ontario government to create a metropolitan government. Municipal home rule provisions in some state constitutions make municipal restructuring an almost impossible task. The potential of a thoroughgoing disentanglement exercise in Ontario could make Ontario once again a world leader. To do so, however, requires that the process be put into the context of a new look at the roles of provincial and municipal governments in Ontario.

Disentanglement and the subsidiarity principle

A third conclusion is that even in the countries that seem to have coped the most effectively, there is a frustration that the growing complexity of public issues adds inexorably to entanglement and blurred intergovernmental accountability. Each time the European Community establishes a new environmental standard, a shock wave descends down through national, regional, and local governments, creating new regulations and conditional grants along the way. Unless there is a generally recognized philosophy governing the treatment of such issues, every new challenge adds to complexity and detracts from accountability. The Europeans, and particularly the Germans, have adopted such a philosophy in the subsidiarity

principle—programs should be delivered at the lowest level compatible with effective administration.

Disentanglement requires effective municipalities

This leads to a fourth conclusion: effective disentanglement requires municipalities that cover the territory of urban regions. This was the main conclusion of the Smith Committee in Ontario in 1967; it was accepted by the Ontario government in its Design for Development policy in 1968. Unless the municipal structure is organized so that local or regional issues that may now spill over municipal boundaries can be internalized, there will be an inevitable tendency for the province to intervene directly or to establish new institutions. This is the case in the United States where special purpose bodies covering different service territories sometimes provide the bulk of local services.

Too many local governments add complexity

The other danger when existing municipalities have neither the size nor the capacity to deal with new responsibilities is that a new level of local government is added to the structure, with resulting increases in complexity and cost. This happened in Ontario in the early 1970s when the new regional governments were all established as part of a two-tiered system. In France, the decentralization policy, while clear in theory, has run up against the "political impossibility" of eliminating many of the almost 37,000 communes. As a result, a new layer of government has been added with no compensatory savings in the existing complex structure.

Two-tier governments add complexity

In Ontario when regional governments were established, there were usually consolidations at the lower tier. In Montreal, where this did not happen, the creation of the Montreal Urban Community has not simplified the structure. The Community came last in a recent survey of the management of 13 of Canada's major cities (*Financial Times of Canada*, Nov. 7). In a subsequent article that examined the reasons for its placement, there was much criticism of how local government there is organized:

"... it's a city with a confusing and diffuse municipal structure. ... Some responsibilities are duplicated: both the City of Montreal and the Montreal Urban Community, for example, have urban planning and economic development offices. ... There are too many players, too many people, too many obstacles to development. There are insufficient economies of scale, insufficient coordination. And the atmosphere [among municipalities] is always adversarial. They constantly fight over who gets what slice of the pie."

Single-tier governments are more accountable

This leads us to another conclusion: single-tier governments offer the least entangled, most accountable, and most cost-effective means of providing local services. The single-tier cities

of Alberta provide a Canadian example of what seems to us to be effective management. It may be no accident that London, Ontario, headed the *Financial Times*' ratings. A subsequent article explained in depth why London was rated first; it argued that an important reason is its single-tiered structure, which obviates the confusion and duplication of a metropolitan structure. "In a single-tier system," [the mayor of London was reported as saying], "we can't hide behind different levels of bureaucracy. It's a much more accountable city, and accountability usually leads to savings for the taxpayer."

The metropolitan regions may require different treatment

At a time when concern about over-government, lack of accountability, and duplicated functions and expenditures is rampant, single-tiered government has obvious advantages. However, the largest metropolitan areas cannot function effectively as a collection of single-tier municipalities; regional coordination is essential. This can be done in Ontario by the provincial government, or by a regional government concerned with local functions that have regional implications. In either case, the role of the coordinating government should be limited mostly to coordination and to the setting of policies and standards, leaving the delivery of services to the local governments.

Different responsibilities for large and small municipalities

We have concluded from our review that it is quite appropriate for large urban governments to have a larger range of responsibilities than smaller more rural governments. This is the case in most of the countries we studied, and is particularly true if the urban government's territory includes its suburban fringes. Growing urban regions face a wider variety of problems that more stable areas and normally have a greater capacity than small municipalities to carry out their responsibilities without central government assistance.

Provide for differences

As parallel to the last conclusion, we believe it would be a mistake in a reform effort such as the current disentanglement process to strive for agreements that would apply equally to municipalities of all sizes and capacities. Such agreements tend to satisfy neither the large nor the small. The large cities of the Netherlands want to replace the Dutch provinces with regional governments; the more rural parts of the country appear satisfied with the current system. The major urban regions of Europe are prepared to adapt their responsibilities to new European realities; the more rural areas, by and large, want their local government system left as it is. On the other hand, an overall policy framework must take into account the needs and desires of the more rural areas. The executive director of the French association of mayors remarked that policies for local government designed only around urban issues will create opposition in rural areas unless there is a rural policy too. In Ontario, this may involve a continuation of two-tiered county and local governments in the more rural areas.

Ontario is more entangled than many other jurisdictions

We have concluded from our review that the provincial-municipal relationship in Ontario is possibly the most complex and entangled in Canada, and certainly more complex than that in most of the jurisdictions we studied. Because of the way provincial legislation affecting municipalities has been drafted, because of the way provincial-municipal financial relations have evolved, and because of the tendency in Ontario to deal with some local and regional issues through special purpose bodies, more resources are devoted to the interface than in most other jurisdictions. The result may have been a loss of accountability, a loss of understanding of the system by taxpayers, and a less cost-effective approach to providing local services. In our opinion, an appropriate disentanglement process must involve a frontal attack on conditional grants, special purpose bodies, municipal structures, and legislation affecting provincial-municipal relations.

Disentanglement requires a simple provincial-municipal financial relationship

Disentanglement and local accountability require that the provincial-municipal relationship be as simple as possible and that the number of conditional grants be minimized. We have been impressed, for example, by the fact that other provinces in Canada have fewer conditional grants than Ontario. We strongly commend the system in place in Japan, Germany, and Sweden, and also in British Columbia, whereby municipalities receive guaranteed shares of the revenues received by senior governments.

Disentanglement means fewer special purpose bodies

Disentanglement and local accountability require that the vast majority of local services come within the responsibility of local government. Virtually all special purpose bodies at the local and regional levels should be eliminated or be directly accountable to local councils. Ontario's proliferation of local special purpose bodies was seen by the Smith Committee in 1967 as one of the chief impediments to local accountability. It still is. This conclusion should not, however, preclude local councils from establishing bodies to secure more cost-effective provision of particular services. The other provinces in Canada have considerably fewer special purpose bodies.

Disentanglement requires simple legislation

Disentanglement and local accountability would be enhanced, we believe, by a legislative framework that provides broad power to municipalities subject to overall principles and exclusions. An element of the provincial-municipal relationship in Ontario is the necessity to obtain legislative amendments to provide authority for even small changes in municipal activities. We believe the approach being initiated in Alberta merits emulation, and could be applied to other legislation affecting municipalities as well as to the *Municipal Act*.

Municipalities as agents of the provincial government

Although we believe a proliferation of conditional grants can seriously undermine local accountability, our review of other jurisdictions has led us to conclude that it is appropriate for municipalities to act as deliverers of some services as agents of the provincial government, or within provincial norms where provincial standards or inter-municipal portability are required. This is the framework within which many services are provided in Germany.

Local delivery of human services

As a specific example of this principle, we believe it is desirable that social assistance programs be administered by local or regional governments—to permit easier integration with other locally based programs and thus allowing what were described earlier as economies of proximity (see Page 72 above). This should not preclude establishment of minimum standards and benefit levels by the provincial government. It does not also preclude such programs being financed by the provincial government or through direct municipal access to progressive tax sources, as is the case in much of Europe. Ideally, local governments should be able to provide one-stop service for 'people' issues including social assistance, community social programs, health, educational, and training needs, and employment.

Local political parties and platforms

We have been impressed by the fact that Ontario is one of the few jurisdictions we studied where local councillors are elected as individuals bearing no accountability to a political party or party platform. We have seen the problems that can arise when national parties are the dominant force in municipal elections, as is the situation in many other countries. We are convinced, however, that local accountability would be enhanced if local councillors were elected, at least in urban regions, on the basis of organized local parties and platforms for which they could be held accountable.

The scope of local responsibility is the key

We found in our interviews that disentanglement is not a concept widely used in other jurisdictions. We were told by many that the degree of centralization or decentralization of authority and the scope of responsibility of local government may be more important concepts. Thus a more important thrust in Ontario, if communities that are economically and socially healthy are to be achieved and sustained, should be towards expanding the authority and the scope of local government. Most of the broader objectives of the current disentanglement exercise are consistent with that thrust.



APPENDIX A

INFORMATION SHEET AND QUESTIONNAIRE USED

INFORMATION SHEET

NOTES REGARDING OTHER JURISDICTIONS

1. Background

- 1.1 The Government of Ontario has launched a process known as "disentanglement" to reform provincial-municipal relationships. **Disentanglement refers to the unravelling of responsibilities now shared by governments in order to achieve delivery of services that is more accountable, efficient, and effective than at present.** The specific objectives of the disentanglement process are to determine which level of government should set policies for a particular program or service, which level is best suited to deliver it, and how it should be funded.
- 1.2 The disentanglement process is expected to take some years. Initially, five service areas have been selected for review: policing, general welfare, roads, public transit, and property assessment.
- 1.3 The Provincial-Local Relations Secretariat is supporting the process. It will be making an interim report to Cabinet in the fall. The Canadian Urban Institute has been asked to make two contributions to the report. One is to provide commentary on relations between municipalities and other levels of government in selected jurisdictions in Canada and elsewhere. The other is to provide a brief history of intergovernmental relations in Ontario. These notes refer to the first part of the Institute's contribution only.

2. Goal of the project

- 2.1 To report analytically on intergovernmental relations in selected Canadian and other jurisdictions and the current trends in the relations—all from the perspective of disentanglement—and also on possible global trends, such as the decline of the nation-state, that may affect the roles of municipalities vis-à-vis those of other levels of government.

3. Proposed activities

- 3.1 To determine the extent to which the seven assumptions that appear to impel the ongoing disentanglement exercise of the Government of Ontario are confirmed or not confirmed in the experiences of other jurisdictions. The seven assumptions are these:

That disentanglement will:

- improve accountability
- reduce costs
- match revenue base to nature of expenditures
- strengthen the capacity for strategic planning
- extend public and employee understanding of government
- tighten fiscal management
- enhance intergovernmental relations.

- 3.2 The confirmation or disconfirmation will involve examining the structure and function of government in several jurisdictions, particularly but not exclusively in relation to the five service areas noted in Section 1.2. For each jurisdiction, an attempt will be made to estimate (1) the extent to which there is more or less disentanglement than in Ontario, (2) how the jurisdiction compares with Ontario on the seven factors on which the assumptions set out in Section 3.1 are based, and (3) whether differences from Ontario in respect of the seven factors can reasonably be related to the degrees of disentanglement.
- 3.3. In each jurisdiction, current and recent trends in intergovernmental relations towards or away from disentanglement will be noted, and also explicit processes designed to move intergovernmental relations in one direction or the other and the results of those processes.
- 3.4. The analysis for each jurisdiction will be reported on separately and also synthesized. The Ontario process will be set in the context of the experiences of the examined jurisdictions.
- 3.5 Global trends that affect the role of municipal governments will be briefly reviewed—notably the rapid changes in Europe that include the decline of the nation-state, the ascendance of regions based on urban centres, and the European Community's principle of "subsidiarity" through which services are delivered at

the most local possible level of government while broad policy direction is retained more centrally.

QUESTIONNAIRE

(Australia is used as the example)

QUESTIONS TO BE ASKED (AUSTRALIA)

1. What is the basic structure of local government in Australia?
2. Which services of a local nature—particularly but not only policing, general welfare (social assistance), road construction and maintenance, public transportation, and assessment of property for taxation—are provided by:
 - (a) local government, using its own funds and setting its own policies?
 - (b) local government, but with funds provided or policies set by central government, or both?
 - (c) both local and central governments?
 - (d) central government alone?
3. Is local government generally regarded as accountable to its electorate for the services it provides, or are the real decisions made (or seen as being made) by central government?
4. Would accountability be enhanced if local government were more independent of central government?
5. Is local government generally regarded as providing value-for-money in the services it provides, both absolutely and in relation to the perceived value of the services provided by central government?
6. Would the actual and perceived efficiency of service delivery be enhanced if local government were more independent of central government?
7. To what extent is it believed in Australia that certain taxes are appropriate for certain services—specifically that taxes on property (or taxes raised locally) should be used only to fund services to property and that operations of

government that redistribute income should be funded through taxes on income and consumption?

8. Are there instances in current or recent practice of tax revenue being earmarked for services related to the source of the tax? (An example would be dedication of the proceeds of a tax on non-refillable bottles to providing grants to community organizations concerned about waste management.)
9. How is strategic planning for local government functions carried out in Australia?
10. Might strategic planning be enhanced if local government were more independent of central government?
11. Is there a good understanding in the general population of how local government services are managed? Among employees of local government? If there is not good understanding, what are the barriers?
12. If complexity of government is a barrier to good understanding of how government works, might understanding increase if local government were more independent of central government?
13. Would there be more scope for tight fiscal management if local government were more independent of central government?
14. How might relations between local government and central government in Australia best be characterized—cooperative, uncooperative, friendly, hostile, etc.?
15. Whatever the state of relations between local and central government now, might they improve if local government were more independent of central government?
16. What is the basic trend in Australia regarding entanglement or disentanglement of local and central government? Towards or away from entanglement? Or neither? Are there central government policies on the matter? Or policies of local governments, individually or collectively?
17. Has there been a recent study of the relations between local and central government in Australia? If so, what prompted the study, what were its findings, and how were they received?

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APPENDIX B

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David Morris, Executive Director, Local Government Services, British Columbia Ministry of Municipal Affairs, Recreation and Housing.

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APPENDIX C

NOTES ON INTERVIEWS

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POINTS FROM A MEETING AT THE BRITISH COLUMBIA MINISTRY OF MUNICIPAL AFFAIRS, RECREATION AND HOUSING

Meeting with Al Tamblin, Executive Director, Municipal Financial Services, Dale Wall, Manager of Taxation and Fiscal Policy in the Policy and Research Branch and David Morris, Executive Director, Local Government Services, all of the British Columbia Ministry of Municipal Affairs, Recreation and Housing.

Policing

Policing in B.C. municipalities is either provided by the municipalities (12 do so including Vancouver and several of its suburbs and various municipalities in Greater Victoria) or on contract by the RCMP. A very few municipalities contract with neighbouring municipalities for police services.

A commission has been set up by the Ministry of the Attorney-General to review municipal policing. It may not lead to more municipal responsibility. Police commission members are now appointed by both the province and the municipalities.

Current policing issues include the amalgamation of the Victoria area police forces and the ironing out of financial inequities between municipalities with their own force and those using the RCMP.

Social Assistance

This area is entirely financed and delivered by the province, on a decentralized basis (until the early 1980s there were some municipal contributions).

There is no apparent likelihood of further municipal responsibility in this area in the near future (although a number of ministers have a social or community agency background).

Vancouver has a separate charter that has given it greater autonomy in some areas such as daycare and aspects of social planning.

Transit

B.C. Transit (a provincial agency) delivers transit through regional transit commissions in the GVRD and Greater Victoria. The responsibility is municipal although the service is provided by the provincial agency.

In other areas, municipalities negotiate service contracts with transit providers. Financing is provided by a combination of fares, provincial grants and property tax revenues. Deficits are split through pre-determined grant structures or specially-negotiated deals.

In the two metropolitan areas, more flexible financial arrangements exist. In Greater Victoria, the municipal share is paid through a surcharge on Hydro bills (transit used to be provided by B.C. Electric). The GVRD raises its share through the Hydro levy, a non-resident property tax and a 2 1/2 cent a litre gasoline tax imposed by the transit commission but collected by the province. This year for the first time the province did not accept a proposal from the transit commission to increase the gasoline tax. As a result, the province allowed the GVRD to run a deficit and levy a tax on parking lots.

There are continuing negotiations between the province, the GVRD Transit Commission and the municipalities on transit financing. The result will likely be more local authority. The province is not enthusiastic about the Hydro levy or the gasoline surtax (which some people claim drives people to buy gasoline in the United States).

Everything is up for negotiation with regard to future capital financing for transit, for which there is great demand and little available money. The province, by deciding on and financing Skytrain prior to Expo 86, has set a financing target for the municipalities.

GVRD transit is a smoothly functioning, integrated system. Future changes may provide clearer GVRD responsibility and accountability for it.

Roads

The municipalities are responsible for roads and the province for highways.

There is a limited provincial grant program (\$15 million) for local roads of provincial priority where costs are shared 50/50.

Provincial-Municipal Finance

Municipalities obtain about 50 per cent of their revenues from property tax, 10 per cent from unconditional grants, 10 per cent from conditional grants and the rest from user fees, fines, etc..

The central program in provincial-municipal finance is the revenue sharing program. An amount equal to the one per cent of the personal income tax base, one per cent of the corporate income tax base and 6 per cent of provincial revenue from natural resource revenues and the social service (sales) tax is put in the revenue-sharing fund. Theoretically the fund (\$380 million in 1992-1993) is distributed half in unconditional and half in conditional grants. In practice not all of the conditional grant money is distributed every year so some funds are transferred into holding accounts for stabilization or emergency purposes.

Eighty per cent of the unconditional grant is distributed on a per capita base with the remaining 20 per cent on the basis of an equalization formula based on relative assessment and expenditures.

Generally the municipalities are satisfied with the revenue-sharing program. Complaints tend to be about growth rates. There have also been difficulties with under or over estimating grant amounts and resulting lagged adjustments. The program puts caps on conditional grants and forces municipalities to make tradeoffs between programs.

Water and sewer capital grants account for the vast bulk of conditional grants (about \$150 million in 1990-1991). Grants for local roads of provincial priority were \$15 million that year while planning and restructuring grants were under \$5 million.

Assessment

In 1974 assessment became a provincial function carried out by a provincial crown corporation.

In 1978 the principle of market value was adopted.

In 1981 the program was largely implemented after a 3 year phase-in.

In 1983 one hundred per cent market value assessment was in place.

Education

There are no municipal contributions to education.

Of the \$3 billion in provincial grants to school districts, \$1 billion is from a provincial property tax collected by the municipalities (which can lead to an accountability problem).

There is no pressure to bring school districts under municipal jurisdiction.

Government Attitudes to Centralization/Decentralization

The NDP has made decentralist noises in general areas, but it is not yet clear whether this will mean more municipal authority. A Royal Commission on Health Care, for example, will likely advocate more decentralization of health delivery.

Under the Socreds the school districts lost power and the municipalities gained, although the Greater Vancouver Regional District lost some of its planning powers in 1983, which the NDP may return.

The NDP has made a number of commitments to educational and other single interest local or community organizations—and, as in Ontario, has obtained great support from such

bodies. It is an open question whether the government's response to these community groups will in the long run result in more or less clarity and scope of municipal responsibility.

Provincial-Municipal Relations Generally

Municipalities are perceived by themselves and by the province as being accountable (unlike the school districts), financing 80 per cent of their own expenditures.

Polls show that municipal government is well regarded.

There is a reasonably good understanding among the populace as to which level of government is responsible for what.

Generally there is little pressure by municipalities to assume more responsibilities. There is a desire by some to take full charge of transit. The GVRD is pressing for more complete planning control.

Vancouver is the only municipality taking a strongly decentralist position, but because of its charter, it does not need provincial approval for much of its activity. Vancouver has its own set of urban issues. Often new approaches are tested there.

The state of provincial-municipal relations in B.C. is generally consultative, constructive and friendly, except when grants are cut.

There is now a considerable degree of disentanglement (much more than in Ontario) and the large municipalities do not have to deal very much with the province.

The province is attempting to simplify and clarify the relationship through reducing legislative and regulatory detail (the Municipal Act is still very long and complex with over 1,000 sections).

B.C. officials are observing with great interest the Alberta experiment of a new Municipal Act based on the principle of empowerment and giving the municipalities all of the powers of the natural person subject to some exclusions. There are still problems in Alberta with regard to the capacity of small municipalities to handle more authority and with the sometimes conflicting rights of citizens and municipalities.

The Union of B.C. Municipalities is a predominantly small town-oriented body. Vancouver and the GVRD are dealt with separately in most instances.

With regard to the NDP government, they said the premier, as a former mayor of Vancouver, had a good understanding of local government. Unlike Ontario, there had always been a number of NDP-dominated municipal councils, especially in urban areas. Although few municipal initiatives had been undertaken by the NDP in its first year of office, the minister is expecting to address creatively issues relating to empowerment and metropolitan government.

All three B.C. officials believed that B.C. had effectively "disentangled" most provincial-municipal functions with a resultant high level of accountability and absence of major areas of provincial-municipal friction.

**POINTS FROM MEETING WITH ULRICH UEBELE
LEITER DES HAUPTAMTES (CITY MANAGER)
FRANKFURT AM MAIN**

The German system is not about to be changed. It is based on the "subsidiarity" principle, with the delivery of services performed at the lowest level that makes economic and administrative sense. About half of the services a city like Frankfurt provides are matters which overall legislation provides for as municipal responsibilities. The other half are functions assigned by the land (province)—in this case Hesse—to be delivered by the city to implement a land, or occasionally a federal, law. These functions come along with a direction by the land regarding the conditions to be applied in administering the program as well as a direction as to where the funds are to come from.

Under the German federal system, the federal government is quite small, with most government services being delivered by the lander or the municipalities. The federal government however, has a responsibility in many fields for passing general laws and standards for programs that are delivered by the lander or the municipalities. Land input is provided in the shaping of these laws through the second chamber of the federal parliament, the Bundesrat, whose members represent the land governments, and which must approve of all legislation affecting the lander.

In the Basic Law (the constitution) of Germany, the municipalities are mentioned as being responsible for local affairs. Their impact on the design of laws they may be delegated to administer is not formal but is achieved (if it is achieved) through lobbying by the municipal associations or individual mayors in the land and federal capitals. This is sometimes accomplished through the political parties, since German local elections are run on a party basis.

The system is now established enough in Germany that it is reasonably well understood. There are no current plans for a restructuring of responsibilities nor is there any overwhelming sense of necessity to simplify accountability.

There are problems and complaints. Economic recession, the absorption of East Germany and a flood of refugees and immigrants at a time of tight fiscal policies have made the solution of problems difficult.

There is a sense that government and intergovernmental relations are becoming more complex and entangled. The tight financial situation has led to new conditions being attached to transfers from other levels of government. In the most recent areas of "downloading" by the federal and land governments of program delivery responsibilities, financial and other negotiations have become much more difficult than before.

There is no real sense that there is an inevitable trend towards centralization or decentralization, even if there is one towards greater complication.

The atmosphere of inter-governmental relations in Germany was described by Mr. Uebele as "critically cooperative". Even though there have been recent changes in political parties, relationships have not altered much as a result. The central government is run by the Christian Democrats, Hesse by a Social Democratic-Green party coalition and Frankfurt by a similar centre-left combination. Since the city has few direct dealings with the national government, the difference in political colouring between the national government and Frankfurt may not be that important. The addition of the Greens to the Hesse and Frankfurt governments has, however, made for more difficult relationships with the business community.

There are problems in accountability and taxpayer knowledge of who is responsible for what. The mayor constantly receives praise or, more often, blame for what is not a municipal responsibility. Policing, for example, is not a municipal responsibility and yet the mayor is seen as responsible for the security of the city.

The "delegation" element of the German system also creates areas of complexity that can create confusion in the mind of the taxpayer and problems of administration. Mr. Uebele complained that a recent series of new laws on building construction passed by the land of Hesse which are to be administered by Frankfurt were obviously not designed by people who had to administer them. Their complexity will lead to delays and needless expenditure. The city also administers federal and land laws relating to the rights of children and working women. The city has had difficulty recently because of amendments to these laws and debates over their constitutionality.

In 1975 an elected regional planning council (Umlandverband Frankfurt) was created for Frankfurt and its surrounding municipalities. Its functions were to develop regional land use plans, provide and purify water and coordinate economic development and environmental activities. The council has not been a success and tensions continue between Frankfurt and some of the surrounding municipalities.

Policing

There were city police forces up to 15 years ago prior to the last major change in local government responsibilities. Policing has since become a responsibility of the lander on the rationale that crime fighting has become a broader than municipal function. The city has an auxiliary police who handle such issues as parking. The city maintains a close relationship with the state police through an advisory committee. Because the lord mayor of Frankfurt is seen as responsible for security and public order, there can be political problems and problems of perception.

Social Assistance

Whatever the municipality does in this area is provided for by federal or land (provincial) law. The cost of social assistance is provided for out of general municipal revenues. Everyone is guaranteed a minimum income and a municipality may top up the minima prescribed by the higher levels of government. There is a special state fund for municipalities with severe economic problems.

Roads and Transit

The federal government is responsible for building and maintaining the major multi-lane highways (autobahns). The cities are responsible for building, operating and financing local roads, although there can be some capital subsidies for local roads of broader significance.

The federal government provides subsidies for the capital costs of subway cars and streetcars. If there is a conflict between the city and the federal government on the relative priority to be accorded roads and transit, it is up to the mayor to lobby for the city priorities.

Railroads are a federal responsibility but the national railway company is trying to get rid of its commuter transit responsibilities. As a result, the "S Bahn" (the commuter rail system) will likely become a local authority. It may end up as a municipally-controlled private company. While the link between transit, road and land use planning is supposed to be performed by the regional council (Umlandverband), Uebele cautioned against using it as any kind of a model (Frankfurt believes that the regional council is much too dominated by the suburbs).

Assessment

Property assessment is not considered a high priority function because property taxes are only a small proportion of total municipal revenue. Assessment is administered by the city and property tax is based on an artificial assessment value.

Financing

There are no earmarked taxes in Germany. The municipalities share in the overall tax revenue of the state and receive a negotiated share of the national taxes. Frankfurt has a much higher proportion of own-source revenue than most German cities because of revenues from business taxes, which account for over 50 per cent of its total revenue. The banks are the chief source of business tax revenue with manufacturing a declining source. Local fees and licences account for 26 per cent of municipal revenue, with the city's share of national income taxes accounting for 20 per cent. Property taxes are less than 5 per cent.

Conclusion

In spite of the concerns be raised, Mr. Uebele did not see entanglement as a major problem. He sees the future development of the subsidiarity principle to involve not only further tasks

for the municipalities but also the moving out of some government responsibilities to the private sector.

MEETING WITH MARTIN WENTZ, CITY COUNCILLOR AND PLANNING COMMISSIONER—FRANKFURT

He confirmed the validity of the points in my notes resulting from a meeting in Frankfurt with Ulrich Uebele. He then added a number of points of his own.

From his observation of the municipal scene in Ontario, he had come to two conclusions:

- The provincial government is able to intervene in too many municipal activities and has too much control over the actions of municipalities. He believes our system would be improved, at least for cities, with a greater legislative guarantee of autonomy.
- the system of election to municipal councils with no organized parties acts contrary to the objective of municipal accountability and effectiveness. There needs to be some system—perhaps with civic parties—where a majority in council can be held accountable for council actions and priorities.

His specific additional comments to the points in the Uebele memo included:

- he noted that the range of responsibilities for cities in Germany depends very much on arrangements within specific lander. There are therefore considerable differences among major German cities (as in Canada).
- he stressed the importance of the party system at the local level. Councillors are elected on the basis of party lists and there are government and opposition parties. The council functions as a parliament.
- he added an example of downloading—refugees. They had been pouring into Frankfurt as a result of federal government policy, but the municipal government had been left to cover social assistance and other expenditures for them. He added the example of a new federal general law on planning, which was built around an ecological approach. This had led to increased costs and delays as the municipalities had to translate it into action.
- he said that it is clear that the public wants further decentralization of power to the cities, so that in the medium term this will be the likely direction of change.
- he said that the levels of property tax should be higher. Property tax rates could then be used as tools to help obtain the type of development desired by the city.

With the increasing authority of European institutions, the powers and responsibilities of both the federal government and the lander are declining and will continue to do so. On the other hand, the responsibilities of cities are increasing, as they become increasingly autonomous economic forces. Within Frankfurt, more power had been decentralized in the last ten years to its 16 neighbourhood councils.

The best future solution for Frankfurt would be a municipal government covering the basic economic region (although excluding Wiesbaden and Darmstadt which are centres of attraction themselves. Wiesbaden, the land capital, is something like Hamilton in relation to Toronto). A proposal to this end was made about 20 years ago, but protests from the surrounding municipalities buried it. Instead, a "bad" (according to Wentz) compromise was adopted for the creation of the "Umlandverband" a regional council which was to have responsibility for broad land use planning, water and sewer projects and waste disposal. The problem of this solution was that it only covered about 40 per cent of the real Frankfurt region, taking in only three of the seven surrounding counties. The "U.V.B." was always under-financed, was dominated by the suburbs and did not have a complete municipal structure. While it has carried out its broad planning responsibilities, special purpose bodies have been set up for water and waste disposal. The U.V.B. does the broad regional plan, while Frankfurt and the surrounding counties have responsibility for master plans with teeth.

The land of Hesse is not involved much in day-to-day activities with the city. Most financial transfers are unconditional. The income tax is divided among the federal government, the land and the city by a fixed formula. Frankfurt has the highest business tax in the country, making it the largest single source of revenue for the city.

NOTES FROM MEETING WITH MICHIEL OLIJ, ROTTERDAM CHAMBER OF COMMERCE

Mr. Olij is responsible within the Rotterdam Chamber of Commerce for small and medium-sized enterprises, for economic laws and regulations and for Chamber input to the proposal for the creation of a regional government around Rotterdam. The Chamber is heavily involved in the economic implications of the project and in the economic future of South Holland.

The interests of small and medium-sized business in Rotterdam are quite different from those of large business. Small business believes that government programs should be delivered at the lowest level possible. Small entrepreneurs are comfortable dealing with mayors and municipalities. Large business and the trade sector would prefer to deal with the European Community which increasingly is establishing the economic and regulatory context in which they operate.

In Holland, economic forces are taking powers away from the provincial level—moving them down to the municipalities and up to the national government and the EC.

The Chamber recently organized a conference of 200 business people to ascertain their opinions about government structure. Overall the business sector wants smaller, less bureaucratic government. There is great frustration now in the areas of planning, infrastructure development and building permits where the three existing levels are often in conflict, causing huge delays in decisions. The Chamber therefore is in favour of the creation of the Rotterdam regional government (the OOR) and of the abolition of the provincial level of government.

Olij says that it is impossible to know whether the Rotterdam regional government (which is supposed to come into effect in 1995) will be as much of an improvement as its proponents claim. In principle the Chamber supports it because it should mean that it would only have to deal with one level of government for planning, infrastructure and environment issues.

The Rotterdam Chamber of Commerce covers almost the same territory as the proposed regional government. The Chamber is convinced that economic development must be dealt with on a regional basis. It therefore supports giving the regional government the responsibility for economic development and strategic planning. All 55,000 enterprises in the region must belong to the Chamber of Commerce so it becomes the logical partner to the regional government in economic development planning.

As a city Rotterdam is a major economic force itself. It has 25,000 civil servants and 60,000 in the public sector, although its overall population is only some 700,000. The port authority—and Rotterdam is the largest port in the world—is a municipal corporation and the most important regional asset. There is some discussion in the Chamber that perhaps it should become a "private" body although the government would continue to own the majority of the shares. This would make it similar to Schipol Airport (one of the largest in Europe)

which is a private corporation although almost all the shares are owned by government (Schipol, which serves Amsterdam, the Hague and Rotterdam also owns the much smaller Rotterdam airport). No one in the Netherlands is in favour of the complete privatization of airports.

There are concerns among Chamber of Commerce members about the proposed Rotterdam regional government:

- there is a fear that tax rates will level up to the highest standard which is in Rotterdam itself. Many of the entrepreneurs live in lower tax communities outside the region who do not recognize the regional benefits that might arise from an equalization of sales and property tax revenues across the region.
- there is concern that the reorganization may not in fact provide one-window service for permits, regulations, etc. Businesses want clear boundaries between what are regional and what are local projects and responsibilities.
- businesses want to be involved in planning decisions through advisory boards. It is concerned that it has not been sufficiently involved in negotiations to date on the proposals for the regional government.

Overall the Chamber believes the quality of the central government is high but the provincial level of government is bureaucratic and an impediment to decision-making. Rotterdam is believed to be well-managed, although it may be too expensive with too many civil servants. Relations between the business community and the city were poor 15 years ago but have been much improved recently. Relationships between the business community and the port authority are excellent. The exercise to create the regional government is building new bridges between the business sector and local governments in the region.

**NOTES FROM MEETING WITH DR. ANNE FLIERMAN,
DIRECTOR OF ADMINISTRATIVE AFFAIRS,
CITY OF ROTTERDAM**

Flierman is the co-chair and main force behind the committee to put together the proposal for the new regional government for the Rotterdam area (OOR).

Flierman had recently been to Toronto see what lessons Metro Toronto had to offer for the Rotterdam project. He said the main lesson he gained was that boundary lines around metropolitan governments tend to be drawn too narrowly. He understands possible Ontario government concern that a GTA government would be too big but he believes that the object of a regional government should be to internalize as many regional problems as possible.

He said the main powers of a regional government for Rotterdam should be:

- strategic policy
- broad enough to ensure appropriate direction and timing of strategic projects and investments.
- major infrastructure investment
- waste disposal
- water and energy projects
- the employer of the public transit system

He said the regional government should be staffed by a small core of very good people. The lower tier municipalities would have the responsibility of delivering almost all services.

The establishment of a regional government around Rotterdam which would comprise one-third of the territory of the surrounding province would probably mean the abolition of the province in the region—especially if similar regional governments were established immediately to the north around the Hague and Amsterdam. Flierman said the provinces in the most urbanized regions were no longer relevant to current needs. In the more rural areas where there are no large cities, like the province of Friesland, they can be useful. The number of provinces should either be reduced from 12 to 4 in which case the Netherlands might become a federal country, or increased from 12 to 20, in which case they would become like regional governments.

The current situation in the Netherlands is too entangled. There should be three levels of government, each with well defined areas of responsibility. At present approval of the national government, the province and the municipality may be needed to build a school. Flierman said elementary education should be a municipal responsibility. He said that even with

different levels of government providing different services, big differences in levels of service would not be allowed—there is too strong a tradition in the Netherlands of equalization and equal opportunity.

There is opposition to the Rotterdam regional government project. The provinces, who fear their powers would be lost, are in opposition. Some national government ministries want to maintain their regional responsibilities. The Environment and Housing Ministry has been developing plans on the basis of the Randstad, the urbanized area of Holland including Amsterdam and Rotterdam, a large region that would kill the OOR.

The EC has taken away some powers from the national government. It has also forced the national government into some issues, such as environmental standards, requiring local action. There is not any overall sense, however, that the national government is as a result becoming more entangled in local affairs.

The party system operating at the local level makes it difficult to avoid entanglement. Most of the voting patterns for local councils are as a result of national issues. A mayor may phone a minister who is a fellow party member to get national support in a local controversy. National—local relationships have been exacerbated on occasion because of political difference between a right-wing national government and a left-wing local government.

Accountability can be enhanced by the party system. It means that there normally are coherent platforms, and local politicians who can be held accountable for overall platforms. Party allegiance also can provide a better set of checks and balances between levels of governments.

The accountability of the party system would be enhanced by the creation of regional governments responsible for the major region-wide issues. If their powers were clear, entanglement could be reduced and accountability improved.

Local accountability is now provided to an extent by neighbourhood councils in Rotterdam whose opinion is sought before local action is undertaken by the Rotterdam council. This function would be performed by the lower tier municipalities within the regional government.

Flierman said that in his opinion the system of elections in most American and Canadian cities promotes parochialism. The discipline of a party system may be necessary in the interests of accountability to a program.

Flierman responded to specific questions on the Dutch system as follows:

- policing is provided locally with funds and overall policy set by the national government
- social assistance is delivered locally with funds and overall policy provided by the national government

- transit is provided locally with national funding and broad standards
- local roads are a municipal responsibility
- "main" roads are a national responsibility
- property assessment is done by the municipalities. Property tax is less than one-tenth as important a source of revenue as it is in Canada
- the only areas where local governments act free from national constraints are in parks, culture and recreation programs.

National conditions do create some problems for local accountability which would be enhanced if such conditions were removed or reduced.

The Dutch do not normally compare levels of government in terms of value received for tax dollar because of the extremely small role of local taxation in the Dutch system. Because most services are provided with national funds, there are only small differences in levels of local services and in levels of taxes between municipalities. Flierman is in favour of an increase in local tax rates to enhance local accountability. He does not believe in using local taxes for income support programs. He sees no basic contradiction or accountability problem in municipal delivery of nationally funded and established income assistance programs. He believes the funding of education should be shared with the national government paying a basic minimum salary for all teachers.

With regard to conditional grant programs, he believes there should be elimination of some grants and the merging of others. This could be done more easily through the creation of regional governments which would result in a net decentralization of authority from the national government and a greater freedom of choice by such municipalities. He said that Dutch municipalities favour more autonomy in principle but are not necessarily consistent when it comes to specific new grants.

There is no tradition of earmarked taxes in the Netherlands. Originally the motor vehicle tax was to have been devoted to roads expenditures but the relationship has disappeared over time. The National Ministry of the Environment is now considering taxes on pollution, with revenue to be used for environmental programs.

With regard to planning, there are national policies and provincial and municipal plans. The national government has published important land use, economic development, environment and transit plans which are now being implemented and which often require municipal action.

There have been national-municipal problems as result of the national plans. Municipalities have often objected to provisions of national plans prohibiting activities some municipalities want to undertake. Suburban municipalities have objected to plans that would stop their expansion. Earlier land use plans called for new towns that would have cost municipalities

large amounts for infrastructure. Now the national government has opted for concentrated development for environmental and efficiency reasons.

Flierman said he believed that strategic planning would be enhanced if local government at least on a regional basis were more independent of the national government.

Ordinary people and civic employees have a reasonable understanding of the roles of local government. Flierman said that Rotterdam with 25,000 employees—was too large—leading to too many bureaucratic practices.

If local government were more independent of control by the national government, the understanding of government by the population would increase. If people knew that their municipal government could solve problems, they would be more likely to participate in public affairs. One of the aims of the creation of the regional government for Rotterdam is the absorption of a number of special purpose bodies that now interfere with local accountability. The regional government would be responsible for :

- employment programs
- housing
- transit
- environmental protection
- large recreational facilities
- police (which is now split between the national Attorney—General's policy responsibility and that of the mayor for public order)

In all of these areas, special purpose bodies that complicate local accountability have been established, normally on the initiative of national sectoral ministries.

Flierman said he is convinced that disentanglement and greater regional government autonomy would lead to tighter financial management.

Flierman said that in general national—local relationships in the Netherlands are cooperative and responsible—sometimes even too cooperative! He cited as an example the mayor of Rotterdam's unwillingness to stand up against the central government's legislation to establish regional police authorities which would undercut the current merging of local police forces and the establishment of policing as a major function of the regional government.

If local governments were more independent of the central government, Flierman said they would act with more self-assurance. The appointment of mayors by the central government acts as a brake on their autonomy now.

There are forces in the Netherlands today leading both to less and to more entanglement. The creation of the Rotterdam regional government would be a major step towards

disentanglement. Some of the new EC regulations and some of the activities of central government ministries—especially in the land use planning area—are leading to re-entanglement. At present, almost all of the local governments involved are in favour of the new regional government. The Ministry of the Interior is solidly in favour, but some of the line ministries are opposed—as the regional government would fly in the face of their traditional approach to local matters.

There has been much recent study in the Netherlands affecting the roles of different levels of government. A major concern has been that there has not been an appropriate level of government for regional issues. There has been more done on the appropriateness of the current provinces and whether they should be restructured or abolished. International developments have resulted in a review of local roles. The EC is almost forcing cities and urban regions to act more independently on a European scale.

NOTES FROM MEETING WITH BRUINS SLOT, MAYOR OF RIDDERKERK, THE NETHERLANDS

Mayor Slot was in Toronto in January 1992 on a study tour of local government in the GTA as part of the group planning the regional government of the Rotterdam area. Ridderkerk is a southern suburb of Rotterdam of about 45000 people.

He said he agrees with the approach taken in the GTA to start with the problems, then the solutions and finally the governance issues of who should do what and how you organize for it. He said it is important to develop consensus along the way.

He said a majority of the councillors in Ridderkerk support the idea of the new regional government. They recognize that there are some problems that can only be dealt with properly on a regional level. Ridderkerk is not concerned that the regional government would limit its expansion because it does not preserve the green spaces that now exist within its borders.

The major positive reason for the support by Ridderkerk of the regional government is to take maximum advantage of the economic potential of the port, the economic motor of the region. The regional government should be good for economic development and for the generation of tax dollars. Although Ridderkerk has low tax levels now and wants to maintain them, Slot believes that the greater efficiency that the regional government should bring, could in the long run lead to lower overall tax levels.

The splitting up of Rotterdam into a number of smaller lower tier municipalities is an essential element of the regional government proposal from the vantage point of the smaller municipalities. The previous regional council of Rijnmond which had been abolished in 1984 had been characterized by constant squabbling between Rotterdam and the surrounding municipalities.

There are now too many levels of government and too many single-purpose functional regions in the Netherlands. When the regional government (OOR) is created, both the city of Rotterdam and the province must disappear.

The biggest threats to the creation of the regional government are the sectoral ministries in the national government, which have a history of involvement in local affairs. The fact that they have money allows them to create new special purpose bodies and subvert the municipalities. When the regional government is created, it will be much easier for it to take over a clearer responsibility for regional issues.

Another threat to the regional government and the aim of the disentanglement is the fact that there are too many unsolved European problems. Competitive pressure from the rest of Europe have incited the national government to take action often in areas of municipal concern.

There is also some opposition to the Rotterdam area regional government from some of the provinces—particularly in other parts of Holland. The provinces were originally set up to control municipal activities. As the larger municipalities set up their own planning strategies and structures, the role of the provinces has been undermined or made obsolete. Mayor Slot has been a mayor (appointed by the national government) in towns in three different parts of the Netherlands. He said that in each region he has been in, the provincial plans were paper plans with little effect.

He said that the same type of governing structure was probably not appropriate for all parts of the Netherlands. Regional governments should be established around the large urban areas. Perhaps the existing structure is appropriate in the more rural regions. The problem has been that Dutch Calvinist thought patterns have created a bias to treat all municipalities the same in spite of very different circumstances in different areas.

The Municipal Act of the Netherlands is a structural law with 11 chapters. It sets out the functions and the financing mechanisms of the three levels of government. The basic principle is that the municipalities may do what they want unless prevented by a higher level of government.

Planning will be an important function of the regional government. The region should supplement much of the planning activity now carried out by the national Ministry of Housing and Environment which threatens local autonomy. The emerging plan for the Rotterdam region includes the building of 60,000 houses in the region by 2010. Not all municipalities, Ridderkerk included, want to be part of the growth. A difficult part of the proposal for Ridderkerk is that the regional government would have the power to force municipalities, over their objections, to build houses. This provision is there because with its lack of space intensity of development is a necessity in the Netherlands.

Mayor Slot said that even though he was appointed his post by the Queen, he has to be voted back to his office in 1994 by the local council. He therefore needs to maintain the support of the council and the local voters. In particular he has to explain to them constantly why he has been a strong supporter of the regional government proposal. He added that several of the other suburban mayors and several of his own councillors are equally strong supporters of the proposal.

He said he is committed to the establishment of an accountable government with clear powers to solve regional issues. He said he would not want to stay in the heavily urbanized region of Rotterdam unless there were a government that could deal effectively with pollution, congestion and an uncertain economy. Otherwise he would prefer for his children that they return to the quieter life of North Holland where he had previously been mayor in two towns.

NOTES FROM MEETING WITH FRANS JOSEF VAN DER HEJDEN MP, THE NETHERLANDS

Van der Hejden was formerly a member of Rotterdam city council. He is now the Christian Democrat spokesman in the Dutch parliament for police, home affairs and regional development. Rotterdam and the central government are run by Social Democrats.

He said that for 25 years there has been discussion in the Hague about reforming the Dutch local government system. The Ministry of Home Affairs had made a proposal in the 1960s that had not been accepted. The current discussions leading to the creation of a regional government around Rotterdam started about two and a half years ago.

He said that in the national parliament he supports the creation of the Rotterdam regional government as a model for all regions in the Netherlands. He says there are too many levels of government in the Netherlands and the provincial level should be abolished. He has tried to blunt criticism in parliament concerning his attachment to Rotterdam by proposing the application of the model, adapted to different circumstances, to other regions of the country.

He said the word "entanglement" aptly describes the Dutch system where too many actors have the power to stop action. Too many levels of government get involved in the details of projects and have approval powers.

He sees considerable savings from the regional government proposal if the province is abolished at the same time. In the Rotterdam area he believes there are 10,000 too many civil servants making an average of close to \$65,000 a year, who could be let go if the system were disentangled.

With regard to social assistance, he sees no problem with municipalities acting as agents of the central government in delivering a basic minimum income.

With regard to social facilities, they are provided now by local government but with money and standards from the central government. He believes there are too many detailed national and provincial regulations in this area, for example, with regard to homes for the elderly. It would be possible to eliminate much of the detailed regulation with the creation of the regional government.

There is a big change taking place in arrangements for policing in Holland. At present, there are 148 municipal police forces and a state police force which polices rural areas. The rise of international crime, which cannot be effectively handled by local police, has led to a policy of the Lubbers government in 1989 to create 25 regional police forces and a national force to handle central tasks. Van der Hejden is working on the police law in a parliamentary committee.

The policing law would create a regional board of mayors in each of the 25 policing regions to set policies and manage budgets. One of the mayors would act as chair of the regional board

and one chief would be selected as head of the regional police force. If the Rotterdam regional government were created, it would become one of the 25 regions (although it would be essential to ensure that regional police and regional government boundaries were the same). The Dutch Union of Municipalities has come up with proposals for the boundaries of the 25 police regions. It has superimposed them over maps of regional boundaries of other sectoral services—creating a "Dutch plaid". The Union is urging that a similar regional structure be used for other national services.

Van der Heijden said there is not yet a strong enough will in the central government to override the objections of some of the sectoral ministries to a more common regional framework and more accountable regional government. The Transportation Ministry, for example, says that the Rotterdam region is only a small part of the transportation network needed for planning transit needs in the urban complex of the Netherlands.

Van der Heijden said that if the Christian Democrats win the national elections in 1994 there will be a major move to accountable regional governments. The leader of the party, Eitze Brinkman, was a director—general in the Home Ministry who became a minister 10 years ago at the age of 32. He is committed to a new order of government in Holland.

Overall, Van der Heijden said there were several trends operating in the Netherlands:

- from the municipalities to the regions
- from the central government to the regions, and
- from the central government to the EC.

There is now considerable talk about a smaller national government but there is opposition from sectoral areas that want to preserve their functions. There is competitive pressure from the EC and the Maastricht agreement in favour of the creation of strong regions. There is a commitment to stronger regional authorities but not yet a strong enough commitment to the accompanying local autonomy. That may have to await a change of government.

NOTES FROM MEETING WITH DR. L. J. M. VERDULT, DIRECTOR OF FINANCE, CITY OF ROTTERDAM

Most of the discussion with Verdult concerned financial issues.

In the Netherlands 90 per cent of municipal revenues come from grants from the central government. There are 225 national-municipal shared cost programs which transfer about \$25 billion to municipalities and one major unconditional grant which transfers about \$11 billion.

The situation is quite different in Rotterdam. Because of its large business sector, national grants account for only 45 per cent of municipal expenditure. Almost half of the grants to Rotterdam are accounted for by conditional grants for social security. Revenues from business including electricity and the port authority account for about half of Rotterdam's revenue while the property tax accounts for about 2.5 per cent.

Some services are now being privatized or are provided by corporations owned by the municipality. Water services were privatized in 1991 and electricity will be at the end of this year.

There have been a number of proposals to simplify the national-municipal system. In January 1991, the central government, facing a fiscal crunch, proposed a reduction in the number of conditional grants and the transfer of some functions to the municipalities, all in the context of a reduction of between five and ten per cent in the national budget. There is now a dispute between the national government and the Dutch union of municipalities on how the decentralization proposal will be accomplished. There is an administrative agreement on transforming about one-third of the current conditional grants to unconditional transfers. The Finance Ministry and the Home (Municipal Affairs) Ministries are supportive of the deconditionalization proposals. The sectoral ministries according to Verdult are very creative in finding objections to the move.

In an effort to break the impasse and bring some of the sectoral ministries on side, the "Big Four" Dutch municipalities (Rotterdam, Amsterdam, The Hague and Utrecht), are proposing the transformation of almost all of the conditional grants into eight block grants, with municipal freedom to allocate funds within broad categories. This proposal has been designed to apply to the whole country, but the Big Four are prepared to see it applied to them alone—or to the "Big Twenty" or to just the "Big Two"—Amsterdam and Rotterdam.

Verdult said the creation of a regional government for Rotterdam could lead to some big changes in financing arrangements. With a regional government, there would be a strong rationale to transform conditional grants to unconditional or block grants. In the current proposal for regional government there is a commitment that there will be no overall increase in expenditure levels.

There is no formal proposal for new municipal taxes in the regional government scheme but Verdult believes there would be good economic reasons for a regional government to raise more local taxes. Any increase in local tax levels would have to take into account the maintenance of equity between poorer and richer municipalities and the overall tax burden on citizens and companies. A committee established by the Home Ministry has recommended that municipalities be allowed to levy a kind of poll tax but there have been many objections to the proposal.

Verdult said the regional government proposal will not likely be torpedoed by concerns over changing local tax levels. At present 80 per cent of the municipalities in the region have tax rates within 20 per cent of Rotterdam's levels. To illustrate how low local tax rates were, Verdult said that while he pays 60,000 guilders (about \$42,000) annually in taxes to the national government, he pays only 500 guilders (about \$350) in municipal taxes.

Verdult said the provincial level of government was basically useless. Rotterdam seldom deals with it even though it is supposed to approve municipal budgets—a function for which it has insufficient expertise. The province does exercise a considerable degree of financial control over smaller municipalities in the region.

Under the regional government proposal, the region would exercise much less budgetary supervision over its component municipalities than the province, which it would replace, now does. The region would set broad objectives but leave the municipalities flexibility in their means of budgeting and financing.

There will be some difficult financial issues to negotiate with the creation of the regional government. The redistribution of functions and revenues between the region and the lower-tier municipalities will be contentious. It should, however, be much easier to deal with the financing of strategic regional projects. The intention is that the local municipalities will be provided with considerable discretion over their own spending and program priorities.

With regard to social assistance, there is a guaranteed minimum income financed and regulated by the central government and delivered by the municipalities. In total 90 per cent of funds for various income assistance programs come from the central government. Some people would like to see the municipal share raised to 20 per cent. Others would be prepared to see the municipalities raise most of the money, but this would lead to different levels of assistance in different municipalities. At present, it is possible for municipalities to add on to the national minima. When a municipality the size of Rotterdam does so, there is an impact on the national economy.

Verdult believes that it would be possible to phase in a transfer to unconditional or block grants to minimize "winners and losers" by limiting gains and losses, to say five per cent a year. The adjustments could also be handled through the existing unconditional equalization grant, which Verdult says needs to be simplified. In a Dutch attempt to be absolutely fair, it contains a complex set of criteria including density of housing, growth of population, numbers of immigrants, numbers on social welfare, etc.

The regional government proposed envisages a regional property tax at a higher level than at present. Verdult sees difficulties if market value assessment is used as the base. The market value of housing in Rotterdam is considerably higher than in the suburbs even though the quality of housing and average incomes are lower. A single property tax for the region would eliminate some of the competition among municipalities in the region for investment based on low property tax rates.

Verdult said that in his opinion, disentanglement and accountability can be encouraged if municipalities are of sufficient size to deal with problems in their territory, if conditional grants can be kept to a minimum, and if intergovernmental relations are tailored to the needs of individual regions. If the number of conditional grants increase, consideration should be given to transferring the focus of a function to one level of government or another. Conditional grants must be periodically reviewed to ensure that there is still a pressing rationale for their existence. The Dutch still refer to "the flowers of Queen Catherine", which continued to be patrolled by soldiers 20 years after they had all died.

NOTES FROM MEETING WITH KOOS RISDIJK, CHAIRMAN, YSELLMUNDE BOROUGH COUNCIL, CITY OF ROTTERDAM

Ysellmunde was an independent city for 600 years before becoming a borough of Rotterdam 50 years ago. In World War II under German occupation the city was annexed by Rotterdam. After the war the Rotterdam city council decided to confirm the annexation of Ysellmunde and six other formerly independent cities annexed in the same manner. Boroughs to advise Rotterdam city council were then created out of the formerly autonomous cities. Rotterdam therefore is a federation of formerly autonomous cities, which have since become administrative and advisory divisions.

If the new regional government for the Rotterdam area is approved, the boroughs such as Ysellmunde will once again become autonomous lower-tier municipalities within the new region and the city of Rotterdam will disappear. Even though the boroughs received additional advisory powers in 1973 in such areas as welfare and housing, they still have very little staff—Ysellmunde has just 40 civil servants. A large future problem therefore, will be the splitting up of Rotterdam's 28,000 civil servants among the regional government and the lower-tier municipalities.

Risdijk said that the governance of the Rotterdam region had been a subject of discussion ever since the end of the war. There had always been dissatisfaction in the region about the central government's insistence on treating municipalities of all sizes the same—with equal powers. The key to the Rotterdam region's future, according to Risdijk, is to provide additional powers to a local government that covers the entire metropolitan area.

The first attempt to create a regional government was the Rijnmond regional council which had few powers and which suffered from constant conflict between Rotterdam and the suburbs. In the end, it was killed by the Social Democrats who controlled Rotterdam. Now most of the Social Democrats—including Risdijk—support the proposed regional government although some would still prefer a larger Rotterdam.

There is now a consensus that local government must be organized regionally in order to deal effectively with planning and with big infrastructure projects. The regional government will force agreement on big regional projects which is now very difficult to obtain.

The creation of the regional government will also involve the elimination of many special purpose bodies that have been established to deal with region-wide issues. Risdijk said that a suburban municipality like Ridderkerk now participates in about 20 special-purpose bodies dealing with issues that cross municipal boundaries within the region.

Risdijk said he expects that the creation of the regional government may be the catalyst to change the system whereby mayors are appointed by the central government. The mayor of Rotterdam now competes on the national stage with central government ministers. If he were

more clearly accountable to the local electorate to implement programs and if local governments were given clearer responsibilities, democracy and efficiency would both be the winners.

Risdijk said that the current system, whereby the boroughs have only advisory powers, is not working. The breaking up of Rotterdam into smaller municipalities, based on the boroughs, to deliver local services, will be a big improvement to the system.

**NOTES FROM MEETING WITH GEORGES DUPUIS,
DIRECTION GÉNÉRALE DES COLLECTIVITÉS LOCALES,
MINISTÈRE DE L'INTÉRIEUR ET DE LA SÉCURITÉ PUBLIQUE,
FRANCE**

Mr. Dupuis, a former deputy prefect, provided an introductory course in the intricacies of local government and inter-governmental relations in France. In particular, he outlined the changes that have been taking place in France since the decentralization law of 1982, which was a massive attempt to turn around the traditional centralization of the French system of government.

Citizens in France elect the councils of the 36,762 communes (lower tier municipalities). The commune assemblies elect the members of the department councils (there are 100 departments, of which 96 are in continental France). Citizens elect directly the members of the 26 regional councils (22 in continental France) as well as members of the national assembly, members of the European parliament, and the president of the republic. The president, in turn, appoints the Prime Minister. The central government is represented in the regions and departments by prefects, who administratively report through the Ministry of the Interior, but who are the senior agents of the French state at the department and regional level. Contact between the municipalities and the central government is carried out through the prefects and deputy prefects, who act on behalf of line ministries and the president. From 1982 until 1987 the prefects were renamed "Commissioners of the Republic", but their titles reverted to "Prefects" after public protest.

Prior to 1982, regions in France were administrative creations of the central government. Since then regions have their own elected councils, and they and the departmental councils control their own budgets. Twenty-one out of the 22 regional councils in continental France are controlled by opposition parties.

Since 1982 there has been a substantial deconcentration of the power of the national government and its 25 ministries to the regional level. The regional directors of the various national ministries have been given more authority, although some have more power than others. This deconcentration of national government power to regional offices has strengthened the power of the prefects. The weekly meetings of the regional directors of line ministries are presided over by the prefects, who communicate decisions to the regions, departments or communes.

The granting of additional powers to elected regional councils has given rise to some tension with the prefects. Regional and departmental councils no longer have to obtain advance approval of their budgets from the prefects. Before 1982 all decisions of communes and departments had to go through the prefects who had to agree on their legality before anything could be implemented. Just prior to 1982, some 5 million local decisions per annum would go through the prefects who ruled approximately 400,000 decisions illegal. Following such a

ruling, a two month period of negotiation would be carried out between the prefect and the council. If no agreement resulted, the prefect would take the issue before the administrative court for final ruling. In the end, only about 2,000 of the 400,000 in dispute would be completely overturned. The formal power of the prefect is exemplified by an occasion when the prefect of Paris ruled that a decision by Paris City Council concerning the status of civil servants was illegal. The Mayor of Paris, Jacques Chirac, who was also Prime Minister of France at the time, was infuriated and took the decision through the appeals process, where the prefect's judgment was sustained.

The decentralization law was brought in 1982 by Gaston Deferre, the Socialist Minister of the Interior, who was also the Mayor of Marseilles. At the time, it was strongly opposed by the right-wing parties led by Jacques Chirac and Valéry Giscard-D'Estaing. Now, in 1992, no one is against the decentralization law and the regions and communes are pressing for still more autonomy. Citizens have been making it clear to the politicians that they want their problems settled in their communities and regions, and not in Paris.

Before 1982, the prefects who are highly trained professionals, decided issues in advance. Now they have formally only a post-audit function over local and regional decisions. The number of local decisions challenged by the prefects is falling, but many small communes without much professional staff continue to seek advice and assistance from the prefects in advance of deciding on action.

While the prefects are normally the senior central government authority in the regions and departments, they have no direct authority in three areas: the military, the administration of justice and over the activities of the regional representative of the Ministry of Finance. The finance representative has the capacity to take municipal finance decisions through a set of appeals, the highest of which is to a "cour des comptes" in Paris.

Thus, the overall effect of decentralization has been on the one hand to take power away from the prefects in favour of the regional and communal councils, and on the other to give the prefects additional authority over representatives of other national ministries in the regions.

The expenditures of the national government of France is about 1330 billion francs or about \$330 billion Canadian. The expenditures of the various levels of sub-national government are about 770 billion francs or about \$190 billion. Of these expenditures, about 55 per cent are by the communes, 27 per cent by the departments, 5 per cent by the regions, and about 13 per cent by inter-communal agencies. About one-third of local expenditures are through grants from the central government.

Since the decentralization law, national grants to local governments have increased much faster than inflation and much faster than the rate of increase of overall national government expenditures. In 1990-91, for example, grants increased by 7.5 per cent, the rate of inflation was 3 per cent and overall national expenditures went up by 2.5 per cent.

There used to be a large number of complex conditional grants to local authorities. They have recently been consolidated into three basic grant programs: capital investment, operational and decentralization grants.

The basic capital investment grant covers about 2 per cent of the overall capital expenditures of municipalities of more than 5000 inhabitants (although grants for special projects may bring the figure closer to 20 per cent). For small municipalities, the capital investment grant covers between 50 per cent and 75 per cent of capital expenditures. The basic capital investment grant of 2 per cent of the capital budgets is paid automatically in twelve equal instalments. Projects deemed to be of importance to the country like a new Paris subway line can attract additional grants. At present, there is strong municipal lobbying for a new T.G.V. rail service from Paris to Strasbourg. The municipalities served by the route are being asked to put up 40 per cent of the capital cost. National highways are paid for by the central government. Local and "departmental" roads are paid for by the communes and departments respectively.

The overall operating grant is based on a formula which includes population, student population, numbers on social security, kilometres of roads etc. There is a similar operational grant to each of the three local levels of government. The revenue for the operational grant comes from a fixed proportion of receipts from the national value added tax: 16.45 per cent in 1989 and 16.80 per cent in 1990. A national committee on local finance decides each year on the per centages.

There are four elements within the operational grant. The first is a basic per capita element that accounts for about 40 per cent of the overall grant. The second component, about 37 per cent of the total, is for equalization and relates to measures of fiscal capacity and tax effort, based in part on market value assessment. The third element relates to compensation for expenditures in a number of areas and is based on numbers of students, areas of parks etc. The final element relates to the special grants to municipalities facing extraordinary expenditures because of tourism or external traffic.

The third basic grant—decentralization—is based on the amount the national government spent before 1982 on functions which have since been transferred to local governments. Responsibilities in the education area are, for example, devolving down. The communes are responsible for elementary schools (ages 5 to 10), the departments for the colleges (ages 11 to 15), the regions for the "lysées" (ages 16 to 19) and the national government for the universities. In the future, the lysées may devolve to the departments from the regions. Local governments are now responsible for building and maintenance, while the central government is responsible for curriculum and the hiring and payment of teachers. The decentralization grant has involved tough negotiations between the central government and the regions, departments and communes.

In the area of social assistance, there is a national guaranteed minimum income. The program is administered by the departments, which may add to the minimum amounts.

A national committee on local finance, made up of mayors of small and large municipalities, and serviced by the Ministry of the Interior, decides on the grant formulae within global

Ministry of Finance targets. The mayors on the committee then have to defend the formulae to their peers. There is general acceptance of the structure and distribution of the grants although there is always pressure for increases.

In his overall comments, Mr. Dupuis said that the philosophy of decentralization has been accepted and will continue to be the direction France is headed. The overall system is too expensive with five layers of government and over 36,000 communes. Europeanization requires a regional level and someday there may be a merger of departmental and regional functions. The French system of mayors also sitting as members of the National Assembly means that sometimes the same people act on local matters from both a national and local perspective—a system that has its pros and its cons. The system also depends on good relations between the prefects and the departmental and regional councils. These are now enshrined in negotiated contracts between prefects and the heads of departmental and regional councils. The relative roles of the national and local governments are often worked out in these negotiations.

NOTES FROM A MEETING WITH GILLES ANTIER, REGION OF ILE DE FRANCE

Gilles Antier is the senior international planner in the region of Ile de France, around Paris. He had been a speaker at the Canadian Urban Institute's conference in the autumn of 1990 on Managing Urban Regions, Lessons from Other Places.

Antier had just completed a study comparing the transit systems of Greater London and Greater Paris. He said that at one time transit planning and operations in the Greater London area had been the model for all metropolitan areas. Now he said it is a model for what not to do. The combination of the elimination of regional authorities, in addition to partial privatization, has given rise in London, he said, to an "absurd, fragmented, system where rational planning is impossible."

The Ile de France region in 1990 had a population of 10,660,000. It is composed of the city of Paris with 2,150,000 people and the six surrounding departments, each with over one million people. The regions have major planning responsibilities with regard to transportation, water, regional parks, cultural activities and "lysées." The regions have become much more important elements of the French local government scene since the decentralization laws of 1982. Expenditures of the regions increased by more than 20 per cent a year throughout the 1980s.

He said that in the long run he thought the departments would be the losers from disentanglement in France. The citizens understand the role of the communes. Regions are necessary for both economic development and strategic planning purposes. The departments, on the other hand, are smothered in problems they can't quite solve. They are not trusted by the municipalities and their functions are not well understood by the citizens.

He said he saw a direct parallel between the Ile de France region and the Greater Toronto area. He said he thought the GTA should be a level of government with planning, but not service delivery, functions. The lower tier municipalities could then deliver most of the services while the current regional functions could be divided between them and the GTA structure.

He said that the co-existence of deconcentrated central government activities and local or regional activities at each of the regional, departmental and commune levels was key to the French system. The strengthening of the regional councils had led to a better coordination of central government activities at the regional level and had therefore added to the strength of the prefects. He said that even if the departments are abolished, there may still be a need for a sub-prefect at the departmental level to ensure that the delivery of national programs is properly integrated.

The growth of inter-communal activities and structures has been the most dynamic aspect of French local government in the last four or five years and will continue to be a feature in the

1990s. While a number of communes had merged in the 1970s, about half of these mergers have since come apart. Political difficulties will make it unlikely that any massive merger of communes will take place in the foreseeable future—so France will likely keep its 36,000 communes, but most will become associated with other communes for services that need a larger area for effective planning and delivery.

Antier said he thought the most useful inter-communal arrangements were through the SIVOMs (Syndicats intercommunales à vocation multiple—multipurpose intermunicipal corporations). These involve several communes pooling their resources to run any or all of water, waste disposal, transportation or technical school programs.

He said that several of France's larger cities, like Lille and Lyon, were now part of urban community (metropolitan) governments, which were essential means of equalizing levels of services and taxation between central cities and their suburbs.

He reiterated the impact of party politics on local government in France. Relations were tense between the region of Rhone-Alpes (the second largest in France with over 5 million people) and its central city Lyon, because the governor of the region, Charles Millon (who has visited Toronto in the context of the Ontario-Rhone-Alpes twinning arrangement) is the head of a national right-wing party, the UDF, while the mayor of Lyon, Michel Noir, is the leading figure of another right-wing party, the RPR.

Antier said that there was a crisis around the world in planning for metropolitan regions. He has recently been comparing the state of planning in urban regions and has not been encouraged by his findings. He said it was important that a decision-making planning authority needs to be in place at the level of major urban regions. In this respect, I was mightily impressed by the Ile de France strategic plan (la charte de l'Ile de France—une ambition à l'heure de l'ouverture de l'Europe) which had been adopted in 1992 by the regional council. He said that metropolitan region plans imposed by a central government will not work. The central government plan for the Randstad in Holland, for example, is well put together technically but will fail because it ignores political realities. Otherwise he believes that the Randstad is the one metropolitan area in Europe which is ahead of the Paris region in terms of urban infrastructure and strategic thinking.

His major comment on the Ontario disentanglement exercise related to the potential tradeoff between the financing of social assistance and transportation. He cautioned against leaving urban centres with all the costs of transportation. In his opinion there will be huge investments of provincial and national importance in transportation infrastructure necessary in the Toronto region over the next few years. The cost of these large investments must, of necessity, be shared with senior levels of government.

NOTES FROM A MEETING WITH FLORENCE POLITIS, INTERNATIONAL DEPARTMENT, CITY OF PARIS

The reason for much of the opposition in France to the Maastricht agreement is the fear that the French will have to deal with yet another level of government in a system that probably has too many. Whatever happens, the cities and communes will stay. It is possible that at some time the departments will disappear.

Even though to educated members of the public, the distribution of responsibilities among levels of government is reasonably clear, the French write to their local mayor about everything. This is especially true in Paris, where the mayor, Jacques Chirac, is a former prime minister and still, along with the president of the republic, the best-known politician in France. The mayor's office responds to all queries, necessitating massive staff to handle correspondence alone.

The City of Paris was happy about the decentralization law of 1982, which gave more power to the City. The City acts as a department for Paris, thus eliminating one level of government. While there have been differences between Paris and the region of Ile de France, there has been cooperation in the development of the regional plan. Within Paris, each of the 20 arrondissements has a mayor and local services are provided through them.

There has always been competition between the City of Paris and the government of France for dominance within the capital city. As more central government functions are decentralized to the regions, departments and communes, and as more central government functions are decentralized to regional offices, the City of Paris will become more autonomous on decisions affecting its future.

There are a number of current irritants between Paris and the central government. Paris is very unhappy, for example, about what it considers to be inadequate national compensation for decentralized functions. Paris is also unhappy about the factors used in equalization grants, which it claims penalizes the city.

There is a long-standing problem between Paris and the national government over responsibilities for and the budget of the police force. Paris would like to have more direct authority and accountability.

Madame Politis is responsible for relations with North American cities in Paris' international office. It has 20 staff members and reports directly to the mayor and the secretary general of the city. The international office is expanding greatly as the city gets more involved in international organizations, particularly within Europe. The office has the responsibility for advising on and managing Paris' relationships with international organizations, other cities and especially its twinning arrangements. There is a constant flow of delegations and visits from Paris to other cities, and even more visits to Paris from other cities.

Paris' first twinning arrangement was entered into with Rome in 1926. Since then agreements have been signed with Tokyo, Cairo, Seoul, Moscow, Berlin and Buenos Aires. Close relations exist with other cities such as Montreal and New York. Madame Politis said she has visited Toronto and has been in contact with Toronto's chief of protocol.

Paris sees itself as a world city in addition to its growing role with other cities within Europe. Other French cities like Lyon are heavily involved in inter-city relations within Europe, through such organizations as Eurocities. Paris is an active member of the great cities of the world group, of the metropolis organization, and such international programs as cities against drugs.

NOTES FROM MEETING WITH BRUNO GIRAUD-HERAUD, DÉLÉGATION INTERMINISTÉRIELLE À LA VILLE, PARIS

The *délégation-interministérielle* was set up in 1988 and reports to the prime minister of France, although since 1989 there has been a minister without portfolio for cities -Michel Delbas. Overall relations with local collectivities are handled through the Ministry of the Interior. The *délégation* is responsible for integrated national action to deal with problems—especially social and economic—of urban centres. Prior to 1988 there had been interministerial committees on urban rehabilitation and on neighbourhoods and juvenile delinquency. The *délégation-générale* has identified 30 "hot spots" or urban neighbourhoods, for priority national action.

The *délégation générale* works on global solutions to urban problems such as juvenile delinquency, drugs and poor housing. Implementation then becomes a joint responsibility of the national government and locally-elected bodies. Approaches to solving urban problems and the cooperative mechanisms for dealing with them are built into regional plans, approved by the elected councils of the regions. The department level, which is primarily responsible for administration and delivery of services, is not as involved in the elaboration of plans as are the cities and regions. The direct election of regional councils, as opposed to the indirect election of departmental councils, also gives the regional councils more policy authority.

Giraud-Heraud said that the "subsidiarity" principle was more and more accepted as the norm for the allocation of responsibility and accountability in the French system. The national government sets out the "grandes lignes" of a policy, the region then adapts it into a regional strategic plan, or vision, while delivery is normally divided between the departments and the communes according to which level represents the more logical scale for the program. National government advice and assistance is coordinated through the prefect at each level, while the particularities of local needs get built in from the bottom up through the communes. Some services are still delivered through the regional offices of national ministries, but authority is gradually moving from Paris to regional offices as well as to local collectivities. Increasingly, the prefects are acting as agents of the prime minister and the national government as a whole in their dealings with municipalities. Giraud-Heraud showed me a recent publication of the ministry of the public service, which attempted to clarify new roles for national civil servants in light of decentralization and deconcentration policies. It stressed that the new system will mean much less hierarchical authority within the central government.

The national planning agency of France-DATAR—has for the last generation developed national and regional economic and broad land use plans for France. It works on the basis of seven strategic regions for the country. The last DATAR plans covered the 1980's. It is now working on an overall plan for France to be published in 1994. The new plan will be much less detailed than in the past, (elaboration of the plans will be up to the 22 regions) and will be concentrated on major directions and strategies within a European context. For many of the

regions of France, it is now more important to develop close economic and strategic links with regions in other European countries than it is with other regions in France.

Out of the 22 regions, 4 or 5 are the most sophisticated and have developed strategic plans in both a national and European context. The Ile de France region is ahead of the others, although Rhone-Alpes has probably done the most to build linkages with other regions in Europe. While all of the regions are expected to have strategic plans, he said some of the regions were too small to determine much of their own long-term destiny. In some of the regions, there is ongoing political tension between the regional council and the central city—particularly if they are governed by opposing parties.

He said he thought there would have to eventually be a reduction in the number of regions—to something closer to the 7 strategic regions used by DATAR. More and more strategic issues are being seen as regional in nature. The first step in reform would be for several regions to work together on their strategies. Later, there should probably be some amalgamation and splitting of regions to correspond more with economic realities.

Many of the communes are too small and there must eventually be amalgamation. In the mean-time, inter-communal arrangements are expanding rapidly. Roads and sewer and water projects are often planned and built on the basis of inter-communal syndicates. These can give rise to political as well as financing problems, because left-wing communes are likely to have different priorities from right-wing communes. In a number of instances, central cities have more left-wing councils than the surrounding suburban municipalities.

It is possible that the departments may eventually disappear as an elected level of local government in France, although the decentralization law did give them some additional power. Their functions are primarily administrative. They have some additional accountability as a result of the changes. The guaranteed annual income, for example, is now almost entirely an implementation responsibility of the departments.

Giraud-Heraud said that, in his opinion, one of the problems in the path of greater accountability was that the national equalization grants do not provide enough equalization. The 1991 law on equalization made the system more precise but the result is much less inter-municipal equalization than is the case, for example in Holland. In France, for example, if a nuclear establishment is built, the local municipality benefits greatly from its tax on professionals, whose receipts are not necessarily accounted for in the equalization formula.

Overall, he said that while it is difficult for the taxpayers to know precisely what level of government is responsible for what, the situation is getting clearer. Taxpayers have had a longer exposure to the activities of communes and departments, so they know more about their responsibilities than they do about the regions. The toughest barrier in the way of "dise ntangling" the French system is the enormous number of elected people at all levels, thus making any rationalization of the system an enormous political challenge.

NOTES FROM A MEETING WITH CRISTOPHE CHAILLOUX, COUNCIL OF EUROPEAN REGIONS AND MUNICIPALITIES

The council is a federation of 40 municipal organizations in 27 European countries representing 100,000 local or regional governments. Thirty people are now on the permanent staff of the Association—18 in the head office in Paris, and 12 in Brussels. Local branches are being established in member countries. The current chair of the council is the Mayor of Barcelona.

The Council began as a body to support and promote twinning arrangements between European municipalities. It has since expanded greatly and is now recognized as the European section of the International Union of Local Authorities and the voice of municipalities and regions in the European Community. Its mandate is now to promote European unity through local and regional activities and to press for the recognition and solution of municipal and regional issues in European organizations.

The Council's activities have also expanded because of recent EC decisions. The EC has recently established a fund for regional projects which is distributed in collaboration with the council and national municipal associations (sometimes to the consternation of national governments). EC money is also available for programs run by the Council for exchanging information on issues like waste disposal and airport management, for developing technical expertise, for staff exchanges and for programs relating to the improvement of urban public administration in Central and Eastern Europe and the Mediterranean countries.

Section 198 of the Maastricht agreement refers to regional and municipal links among European countries. The agreement also proposes the establishment of a committee of regions representing each of the EC member countries. The Council is working on the establishment of this committee, even in advance of the ratification of Maastricht. It has had enthusiastic cooperation in obtaining elected regional representatives from all of the EC countries except the United Kingdom, which insists on naming central government civil servants to the forum of elected regional representatives. The Council's objective is now to press for a similar EC committee for European municipalities, and to obtain institutionalized roles for both committees.

The Council is an integrating body for the activities of the municipal associations in the various European countries. This is sometimes difficult as there are different concepts of the roles of such associations in different countries. The Northern European associations for example, perform important service functions for municipalities. In the Netherlands, 400 people work for the association which at times acts almost as a branch of the Ministry of the Interior.

Chailloux then outlined the major trends in Europe in recent years with relation to the relative powers of municipalities and other levels of government.

There has been a push towards decentralization and more autonomy for municipalities in Europe over the last 25-30 years. This tendency has been a natural one in federal states like Germany but has encountered more resistance in countries with a strong unitary system.

There have been two basic reasons for the trend to decentralization: people wanted to be more involved in how they were governed, and people wanted a more efficient system of government tailored to local and regional differences.

Among the structural changes that responded to the push for decentralization were:

- the creation of stronger and larger municipalities through amalgamation and a sharp reduction in the total number of municipalities. This occurred in almost all European countries (Belgium is an outstanding example) in the 1960s and 1970s except France. The result is that France now has over half of the lower-tier municipalities in Europe.
- From the 1970s, a regional level of government emerged in many European countries which took functions both from the central government and sometimes from municipalities. In countries like Belgium and Spain, the regions have sufficient power that the countries are virtual federations. In others like France and Italy, the regions are having more difficulty in establishing their place in the sun.

Another strong stimulus to decentralization has been the establishment or restoration of democracy in countries that previously had been under autocratic regimes that stifled municipal autonomy. Shifts to democracy took place first in Portugal, GrECe and Spain and more recently have involved the countries of Eastern Europe. The Eastern European countries (except for former federal states like Czechoslovakia and the USSR) have been different from the west in establishing new local democratic structures because there normally have been no intermediate levels between the central government and the municipality.

France

Decentralization of power to local and regional governments and deconcentration of national decision-making from Paris to regions have been taking place in France since 1982. The result to date has been a complex system with many layers of decision-making. Even though the power of the prefect is now formally a post-audit function, there is still in practice a bowing and scraping before the prefects on the part of most smaller municipalities and a high degree of informal approvals by the prefects in advance of municipal action. The most rapidly growing set of municipal structures in France recently have been various types of inter-municipal cooperative agencies or councils which are normally presided over by the prefects. Even though national grants to municipalities have in principle been consolidated into three overall (capital, operational and compensatory) grants, many specific municipal projects are financed through the prefects using funds from a variety of national ministries. Under the current system, the regions, the departments and the prefects can all transfer money, attached to conditions, to the communes. This, together with the growing number of inter-municipal organizations, adds to the complexity of the system and the undercutting of

municipal autonomy. The French system probably would work well with a sharp reduction in the number of communes and the elimination of one level of government.

Spain

While there has been effective decentralization both to Spanish regions and Spanish cities, the emergence of Catalan, Basque and Galician nationalism has complicated the clarification of responsibilities. These three regions all want more power. Political differences have also complicated intergovernmental relationships. Barcelona, Catalonia's largest city for example, is governed by a different political party than Catalonia itself, leading to some rivalry over power sharing. There is a current attempt to eliminate the metropolitan regional council of Barcelona.

The United Kingdom

This is the only example of a European country where there has been a net centralization of powers during the 1980s. Even though some previous local and regional functions have been privatized, others have moved from the abolished metropolitan governments up to the central government. Chailloux said there were major problems and sharp antagonisms in the UK between many municipalities and the national government.

Greece

There is no intermediate level of government in Greece between the communes and the national government. The Greek parliament passed a law in 1986 to create regions but due to political difficulties, it has never been implemented.

Italy

The major problem in Italy recently has been that the regions have little independent sources of financing and little real power over the major cities within them.

The Netherlands

There has been a lively debate for the last ten years in the Netherlands, especially about the possibility of creating regional governments around Rotterdam, Amsterdam and possibly the Hague. The problem is that the whole country is so highly urbanized it is difficult to know where one urban region ends and another begins.

Germany

The German system (at least in the West) probably functions the most efficiently in Europe because of the country's federal system and the principle of subsidiarity that governs the

responsibilities of the different levels of government. There are problems, particularly in the relationship between central cities and surrounding suburbs, but by and large there is a high citizen level of understanding as to which government is responsible for what.

Europeanization

The big debate and the latest tendency in Europe is over the increasingly "European" outlook of most major cities and regions. This is a source of conflict between many cities, regions and nation states. The cities and regions now have access to EC funds, sometimes over the opposition of national governments. The cities and regions are seeking more formal recognition in EC acts and structures. The EC has financed a number of international programs involving border cities and regions. EC money for French regions is supposed to go through DATAR (the national French planning agency) but it does filter through the regions and cities. While most EC funds are supposed to be matched by the individual national governments, the tight fiscal situation of some national governments has meant that EC funds have often not been matched.

In Europe today there is a big debate over the concept of "subsidiarity", which is the central concept of the Maastricht treaty. Essentially subsidiarity is the principle that government services should be provided by the lowest level of government consistent with efficiency. The nation states have supported it as a means of limiting the authority of the EC to only those subject areas that are truly international in scope. The cities and regions argue that the logic of subsidiarity should carry right through the system, as it does now in Germany. This, they say, is the best way to "disentangle" responsibilities.

NOTES FROM MEETING WITH GABRIEL CALAMARTE, DIRECTOR, ASSOCIATION OF FRENCH MAYORS

Calamarte was an elected councillor, then mayor, for 25 years. In his current post he is seconded from the Ministry of the Interior. Calamarte is a graduate of L'Ecole d'administration publique, the training ground for the elite who have run France's administration for decades.

He started our meeting with a half hour lecture on his assessment of the state of local government in France. France is essentially a rural country, with the largest area of any country in western Europe. He said it was a mistake to have classified as "villes" (towns) all municipalities with over 2,000 people, and therefore as "urban". In Germany, communities are not considered as "urban" unless they have over 50,000 people.

The problem with past regional plans as well as the decentralization program of 1982 in France was that they were designed by people with an urban-oriented approach. The failure of France has been its failure to develop a rural policy which takes into account historic French values. This failure has led to a rural backlash against central programs designed by technocrats as well as against the bureaucratization implied by Maastricht. He said that an appropriate rural policy, respecting the historic role of small communes, would be the best way to preserve French territory and manage space. An urban-oriented approach will not save the ecosystem.

His message for our disentanglement project was that there must be two policies: one for the urban regions and another for the more rural areas. He suggested a split between the two where the urban centre had a population of about 50,000. He suggested that Australia and South Africa have consciously tried to make this separation.

He said the French decentralization program of 1982 had not worked properly because not enough attention had been paid to the different sizes and capacities of the communes and because insufficient money had flowed downwards to compensate for the new responsibilities given to local authorities.

Of the 36,000 communes in France (over half of all the lower tier municipalities in Europe!), more than 32,000 have less than 2,000 people. Most of these communes have only one or two permanent officials. Their need is for help, rather than more power. It is unrealistic to think of eliminating conditional grants for them. The central authorities, through the prefect, will continue to provide them with administrative and financial support and advice.

I put to him the proposition I had heard from others that for decentralization to work in France, the number of communes should be drastically reduced and an entire level of government eliminated. His response was two-fold: first, that this was politically impossible and second, that the existence of thousands of small communes was an essential element of French tradition and democracy, allowing everyone the possibility of thinking they could be in charge of something.

He outlined the political situation. Although the central government is controlled by the left, 85 per cent of the regional councils, and 77 per cent each of the departments and the communes are run by the right. In addition, the French senate is elected indirectly from the departmental councils. The left, therefore, proposes that local government would be more efficient if a level of government (controlled by the right) were eliminated while the right says it would be more effective to promote more inter-communal cooperation. Already some 18,000 inter-communal structures have been created to deal with issues like water and sewer projects. As a result, many small communes have maintained a rationale for their continued existence.

The fact that national politics plays such a strong role on the municipal scene in France makes radical structural change with a view to reducing costs almost impossible to undertake. The system may be expensive but the small communes are here to stay.

Calamarte said there was a "fundamental malaise" in France because of rural and small-town unhappiness about a perceived national pre-occupation with social issues in the large cities and urban regions. He said there was particular anger that the money spent by, "la délégation interministérielle à la ville", rather than being spread among French communes, was being spent entirely on projects in 400 neighbourhoods in the 120 communes characterized by high incidence of social problems and high levels of immigration.

Calamarte said that most of the 22 regions did not have sufficient power to make them truly effective. He suggested that this was due to a combination of the fact that there were too many regions and that traditional French centralism had prevented them from obtaining real authority. He said there were only about seven urban regions that were sufficiently dynamic to be linked into the rest of Europe.

Calamarte attributed much of the malaise to the role of social redistribution which urban policy in much of the western world had recently been giving to the cities. This has saddled cities in most western countries with huge costs and has diverted them from roles they can perform better. The cities have lost their factories and have increasingly become social service agencies. Their social role has driven out their economic role. Calamarte said that he was perhaps an old-fashioned nineteenth century elitist. He says that cities worked best when they were places of commerce, where the city administration and the elite of the various sectors of society assembled the economic factors necessary for urban prosperity.

Before I left, Calamarte gave me a copy of a 1991 issue of the monthly magazine of ENA graduates devoted to an assessment of decentralization in France since 1982. He had an article in it on his philosophy of France being a rural country. Some of the other articles were fascinating as the ENA graduates, who had sworn to uphold the efficient administration and integrity of France, struggled with their consciences as they tried to reconcile their sworn mission with the decentralization of the power of the central state to the regions and municipalities.

**NOTES FROM MEETING WITH BILL BARNES,
DIRECTOR, CENTER FOR RESEARCH AND PROGRAM DEVELOPMENT,
NATIONAL LEAGUE OF CITIES, U.S.A.**

There is no model of state-local relations in the USA. It all depends on the state.

Any sorting out of state and local responsibilities in recent years has come as a result of fiscal pressure. California is probably the best example where cities and counties have been forced into taking more accountability and where "disentanglement" can be said to be the most advanced. Other examples are almost all west of the Mississippi. Perhaps because of a western mindset a state like Oregon has over time promoted a greater degree of municipal accountability.

The recession has dominated the climate of federal-state-local relations in the last three or four years. Fiscal problems have therefore been central and will continue to dominate the relationship several years into the recovery.

Over the last 15 years, the federal government has pushed spending obligations downwards to the states and local governments. Conditional grants have been capped and their amounts have declined in real terms. The result has been more complexity and less accountability as the conditions have remained while the amounts have fallen.

The current major concerns of the cities are federal and state "mandates" which require local government to perform certain actions. Some mandates are in the form of conditions on grants. Others take the form of federal or state overrides of municipal autonomy.

Unless there is a perception by the local levels of government that revenues will rise to meet expenditure obligations—a condition described by Barnes as "stable affluence"—there will be a resistance by the cities to perform services required by the federal and state governments. The current increase in mandates coupled with a reduction in grants is producing conflict situations.

The trends in the USA are towards greater complexity of intergovernmental relationships and mechanisms. Alexander Hamilton, writing in the "Federalist Papers" 200 years ago, and the Kestenbaum Commission, which led to the establishment of the Advisory Commission on Intergovernmental Relations some 40 years ago, were the two classic efforts to disentangle intergovernmental relations in the US. There has been no substantial disentanglement effort for the last 30 years.

The most fruitful efforts in the relations between local and other levels of government in recent years have not been towards greater simplicity and disentanglement. Rather they have been directed to learning to live with complexity.

The impact of the "downloading" of the last 15 years has been to broaden local authority. More municipalities have tried to deal with social issues in terms of policy direction although not through any new legal authority. Municipal authority, in fact, has diminished as the federal and state governments have chosen to act through regulation or mandates rather than through grants.

Over the last 30 years the municipal position in the US has been in favour of less control by other levels of government and more money. The less affluent the municipality the more likely it is to want financial support through grants. Some, often suburban, municipalities say they do not want more federal or state money. They are often prepared to accept indirect aid through such programs as state highway building. The central cities, on the other hand, are more dependent on direct and visible grants for programs such as transit.

There have been few successful attempts to equalize the fiscal situation of inner cities and the suburbs. Among the best examples are Louisville, Kentucky and Minneapolis-St. Paul. There have been court-enforced equalization moves in the area of education finance on the basis of unequal access to education in the suburbs and central cities. These have had an impact on municipalities because education is largely funded from the property tax.

In 1982 the Reagan administration made a proposal for an intergovernmental "sort-out" of responsibilities which was not agreed to by the other levels of government. Barnes said he was not sure what the difference would be today in the responsibilities of state and local governments if it had been accepted.

Barnes said he is not sure that disentanglement is necessarily seen as a virtue in the US. The "public choice" theory of government challenges the assumption that consolidation and accountability saves money. By treating taxpayers as consumers, the "public choicers" praise the virtues of competition and market forces in the distribution of public goods. Barnes is of the opinion that the public choice school—favoured by many in the US central government—ignores the vital role of government in ensuring equity in the system.

For Barnes, the key question to be asked constantly in deciding on government programs is "What is the appropriate community?" It may be even more important to keep asking the question than to answer it, but it is vital to keep on trying to define appropriate communities.

The National League of Cities began a major research program on social service issues recently. It soon developed into a governance issue as the review tried to define the communities to be served.

Barnes said he has a problem with proposals that recommend metropolitan government as an overall solution to the problem of cities. His problem is that this approach starts with the answer rather than the question. Rather he prefers solutions based on sectoral areas that may end up somewhere between the metropolitan government and the public choice approaches.

Because questions of governance are being dealt with sectorally, the creation of special districts is proceeding apace and the fastest growing area of government is the creation of

inter-municipal arrangements (as is the case in France). These arrangements tend to respond to a question asked in each sector: "will it work?"

The overall philosophy of the National League of Cities is in favour of home rule as the best way of conducting local affairs. There is therefore an almost automatic discouraging of incursions from other levels of government into municipal autonomy. However, an important element of home rule is the ability of municipalities to set up different mechanisms for solving problems. Therefore if a municipality decides to set up a special purpose body, that is its prerogative. If the federal government or the state should set up a special purpose body dealing with local issues, then the role of the municipalities must be raised.

Whenever a public issue is raised, the N.L.C. asks the question "How does this issue affect local government?" The League always asks the democratic question relating to local access and accountability in dealing with the issue as a balance to the more technocratic question relating to the efficient provision of the service. Both questions must be dealt with in tandem.

Barnes said he had been at a scholarly gathering at Harvard last year discussing regional issues. The general conclusions focused around the governance of issues, rather than local or regional governments. There have been no recent metropolitan governments created in the US, but there have been a number of coalitions created, often led by business, to deal with region-wide issues.

**NOTES FROM MEETING WITH JOHN FELDE,
GENERAL COUNSEL, AND CHRISTOPHER ZIMMERMAN,
CHIEF ECONOMIST AND RESEARCH PROGRAM MANAGER,
NATIONAL CONFERENCE OF STATE LEGISLATURES, U.S.A.**

There is an enormous variety in state-local relations across the US. The degree of local autonomy can be measured roughly on a scale from "home rule" states like Illinois which tend to give municipalities autonomy, to strict "Dillon rule" states that municipalities are "creatures" of the state.

Even in the "Dillon rule" states, there are considerable variations in the degree of local autonomy permitted by statute. Often the degree of autonomy permitted depends on the type or size of municipal government. In Virginia, a strict "Dillon rule" state, where every year the state legislative timetable is full of separate empowerments for municipalities, there are six separate code levels of municipalities. In New York and Kentucky, for example, greater powers are provided to cities that pass certain population thresholds.

The municipal structure may be reasonably simple or very complex. In Connecticut there are no counties, just one level of municipality. Virginia has just one level of municipality—either cities or counties. More typically there are two or more levels of local government within a state. Cuyahoga County, including Cleveland, for example, contains 65 separate municipalities.

In the 1970s there was a trend towards the rationalization of local government. Combined cities and counties were created, for example, around Lexington, Kentucky, Nashville, Tennessee and Denver, Colorado.

More recently there has been a countertrend to create more special districts as municipal boundaries have not proven large enough to effectively deal with specific issues.

There is also a long tradition in many parts of the US of special purpose bodies for such services as schools, water, fire and transit. These special-purpose bodies often are separately elected and may have special taxing powers, with the taxes normally collected by the municipality. A town in the county of Suffolk, Long Island, has almost no powers other than public works because its municipal services are all provided by special-purpose bodies. In California, regional transit districts have their own taxing powers. Special purpose bodies have often been set up in recent years because of an unwillingness of local councils to raise taxes.

Washington was cited as a city where most special purposes were handled through the municipal structure. Activities of a broader regional nature have been dealt with through a council of governments including the District of Columbia and surrounding municipalities in Maryland and Virginia.

Differences in the internal organization of cities also have an impact on accountability and the use of power. Most of the older, large cities in the east have strong councils with the executives of the councils appointing the top bureaucrats. An increasing number of cities, especially in the west, have adopted a strong city manager system, where the power of the bureaucracy is stronger than that of the councils. The city manager system may fit better within the "Dillon rule" states, where the powers of the municipalities are prescribed more specifically by state law and where local political autonomy is more circumscribed. Even today some cities are moving away from a strong council system to a city manager system as a means of countering municipal corruption (e.g. Franklin, Kentucky).

On the other hand there is pressure in some of the "Dillon rule" states to move towards more local autonomy. In Virginia, for example, a review commission is studying means of restoring power to local councils. At present, for example, there are only five elected people on the council of a large city, Arlington, and only nine on the council of Fairfax, a populous county in the Washington area.

In addition to Virginia, two or three other states have been reviewing the state-local relationship in an attempt to rationalize unaccountable and complex structures. California has undertaken the greatest extension of municipal powers, particularly at the county level, in considerable extent because of sharp fiscal constraint at the state level -beginning with proposition 13 which prevented the state from raising tax and expenditure levels.

Some states have been reviewing the taxing powers of municipalities in order to give them more freedom to develop their own priorities. Illinois, for example, is moving to a uniform municipal sales tax as part of a reform program. (see Illinois' Economic and Fiscal Commission). Now 50 per cent of the states permit municipalities to levy sales taxes and more states are moving in this direction. In Virginia, municipalities receive 22 per cent of the state's sales tax revenue.

In Washington, the state governments have joined the municipal governments in arguing against federal government mandates that undermine state and local government accountability. In recent years, particularly as a result of pressure from single interest groups, the federal government has been enacting legislation requiring states and local governments to adopt programs in such areas as civil rights, assistance to the disabled and the environment, but without providing funds for them to make necessary changes.

The state governments believe that both the states and the local governments could enhance citizen participation in government if local accountability were improved through a reduction in the number of conditional grant programs and senior government mandates.

As fiscal conditions have become more difficult in state and local governments in the US, there has been a tendency to move to more earmarked taxes. People have rebelled against increases in general tax levels but have been more prepared to pay for specific services through earmarked taxes or other specific revenue-raising mechanisms. California is an example of a state that has carried earmarking the farthest as a method of funding state and local expenditures.

Fiscal pressures in the 1980s have led to changes in state and local financing. As the federal government cut back on direct aid to municipalities, some of the slack was taken up by the states, but some was taken up by increased municipal own-account revenue raising. General state-local revenue-sharing schemes were established in some states like Ohio in the late 1970s and early 1980s. Unfortunately when the recession hit in the late 1980s, these revenue-sharing schemes tended to be among the first areas of state expenditures to be cut. In an era of single-sector lobbying, it was easier for states to cut general revenue sharing than specific conditional grants.

Because of the overall decentralization of expenditure and revenue responsibilities to local governments that has taken place in the 1980s, equalization issues between poorer and richer municipalities have increased in importance. The courts have forced greater equalization in education. The states have had to devise new expenditure or financing mechanisms to enhance inter-municipal equity.

In spite of some net decentralization in the 1980s, the current trend may be to more municipal dependence on the states. Property tax revolts in some cities and states have led to state takeovers of spending responsibility or new conditional grant programs. Some efforts to decentralize have not borne fruit. Virginia, for example, passed a law to allow municipalities to levy income taxes but no municipalities took advantage of it.

There are great differences in the form of state legislative control over municipalities. Some state constitutions run to thousands of pages, others are more the size of the US constitution. Most state constitutions are devoted in considerable part to state-local relations. The Kentucky state constitution, for example, has large sections on what local governments cannot do. Some state constitutions are easy to amend (like Ontario's Municipal Act). Others are very difficult to change.

Both state and local governments lobby in Washington on behalf of greater state and local autonomy. There is a state and local legal centre which promotes joint action in areas like attempts to reduce the power of the federal commerce clause in the US constitution.

Sometimes federal action leads to problems in state-local relations. There is a current battle as to whether federal funds for drug programs should go directly to cities or through the states. In the presidential campaign, Clinton proposed federal money for 100,000 additional police without saying whether it would go directly to the cities or to the states.

Each time a new federal (or state) program for aid to the cities is established, accountability is lost at the local level. It has been estimated that 5,000 federal bureaucrats do nothing but administer federal aid programs to the cities. Cities like New York have developed huge bureaucracies to handle federal aid programs.

They described state-local relations as generally good, but with many problems. There has been a tendency for relations to worsen as a result of money problems.

The establishment in the 1970s of federal revenue sharing with the states and local governments set up the principle of direct federal-municipal financial negotiations. When the program terminated in the mid-1980s, municipal bureaucrats tended to continue to look to Washington for financial aid.

There are different views within the federal government as to whether the federal government should be directly involved with municipalities. In spite of declarations in Washington about staying out of municipal affairs, entanglement continues. Even though the states are responsible for criminal law and the administration of justice, the federal government is constantly creating new "federal crimes", the latest being "carjacking".

Overall, the state representatives said that the US system tends to be so complicated that it is very difficult for the general population to know which level of government should be held accountable for what.

**NOTES FROM MEETING WITH JOHN KINCAID,
EXECUTIVE DIRECTOR,
U.S. ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS**

The U.S. Advisory Commission on Intergovernmental Relations is primarily a research centre on federal-state-local relations supervised by a board of prominent representatives of the three levels of government and funded largely by government grants.

The major intergovernmental issue at present in the US is "state and federal mandates" on local government action. There are rising objections by state and local governments to such mandates. Fifteen states have now passed legislation requiring federal reimbursement for the cost of such mandates before they will act. There is pressure for other states to do the same. Fifteen bills are now in Congress relating to federal mandates on state and local action.

The cost of federal mandates is reaching crisis proportions in some US cities. A recent study in Columbus, Ohio showed that the current cost of environmental mandates amounted to 10 per cent of the city budget and threatens to rise to 25 per cent. Mandates requiring service to the disabled have forced Knoxville to curtail bus services because it cannot afford bus lifts. It would have cost the New York City subway system \$11 billion 10 years ago to put in mandated elevators for the disabled.

With regard to health and social assistance, the federal and state governments now cover most costs even though in some states, many social assistance programs are delivered by municipalities, and in particular the counties. Although 14 or 15 states now require that municipalities pay a share of the cost of Medicaid, there is a trend towards the states picking up most or all of the cost. The ACIR has recommended that this be a state funding responsibility.

While it is a general principle that accountability is improved when the level of government that provides the service is responsible for raising the money for it, there are strong reasons for having social assistance delivered locally but with funding from progressive tax sources from other levels of government. The danger is that if another level of government pays 100 per cent of the cost, there may be incentives for wasteful delivery. The possibility of changes in health insurance with a new federal administration raises a number of intergovernmental issues which the ACIR is now studying. Counties are afraid that some proposals might leave county hospitals the responsibility of picking up the bills for those who might not be completely covered by insurance.

Refugee programs are a good example of intergovernmental tension in the social area. The federal government now provides funding for refugees for their first three months in the country and then leaves any additional costs up to the state and local governments. Kincaid had just visited Merced County in California where the county was dealing with the budgetary

impact of 12,000 Laotian refugees who had arrived within the last year. In cities like New York where the city acts as a county, this budgetary fallout of refugee arrivals can be very high.

A current major issue is the provision of greater fiscal autonomy for municipalities to offset declines in federal grants and required expenditure increases due to mandates and other actions. Federal courts, for example, have ordered jails to be upgraded in 33 states with enormous financial impact on the counties.

Another current major issue is the creation of better means of equalizing fiscal capacity between poorer and richer municipalities, especially during the recession. Eleven state courts have now required equalized educational funding. The result has always been to equalize up rather than down. New Jersey, for example, has had to levy an income tax just to meet the costs of equalizing local educational financing.

The environmental area has also been the scene of intergovernmental conflict, with regard to legislative and funding accountability. Litigation in the area has exploded and it may take ten years or more to get major public projects approved. The federal Environmental Protection Agency, for example, has just vetoed a project to supply Denver with water that had involved collaboration among 41 local governments. The ACIR has recommended a streamlined federal environmental approval process as essential to getting major local public works projects off the ground. The Bush administration has been more amenable to a public works interest but a Clinton administration would be more sensitive to the environment. The federal Superfund legislation, which helps fund hazardous waste disposal projects, has a built-in provision for historic liabilities. This has led to many court cases and legal as well as cleanup costs falling on both private companies and municipalities.

Kincaid said he was not aware of any formal overall state-local disentanglement exercises although a number of states have been reviewing state-local relations. California is involved in a "sort-out" with its counties on a number of welfare issues. There are also proposals in California, which may not be adopted, to establish regional governments. The governors of most states have been taking an increasing interest in state-local relations. Twenty-six states have established advisory commissions on intergovernmental relations in the last twenty years, although some are under severe budgetary stress. New Jersey has just recently had a state-local government study commission terminated because of budget cuts. The National Conference of State Legislatures has recently set up a committee on state-local relations.

The trend in intergovernmental relations is to more complexity. The federal government has been reducing its funding to local government but not its regulatory activity. Federal funding of local government has been declining in real terms since 1978 and especially since 1986 when revenue-sharing was terminated. It is hard to find an area, however, where the federal government has totally stepped out of the picture. Even a one dollar federal grant brings with it all the regulatory complexities.

Although federal aid to local government has gone down, the trend in federal aid to the states is the other way, primarily because of social security legal entitlements. There had been a slowdown between 1981 and 1987 but a steady increase since 1988. The shift in the target of

federal aid from local government to the states has been largely a shift in grants-in-aid from places to people.

Although the amount of federal grant funding to local government has dropped, the number of federal grants is now at its highest ever. There were 539 federal-local grant programs in 1981, only 404 in 1984, but they are now back up to 557. Eighty per cent of the grant programs are for amounts of less than \$1 million. There are still 95 federal grant programs for housing, even though the dollar amounts have been dropping. The ACIR and the US General Accounting Office have been recommending a major rationalization of grants, but with little effect. There are still 14 block grant programs, but over the years, conditions have been added to them.

There is a continuing tendency to create special purpose bodies in the US complex of local government. There are now over 25,000 such bodies. There are financial incentives to create special districts than can fund themselves through various forms of user financing. More recently special districts have been created in the inner cities of major US metropolitan areas. In Philadelphia the downtown businesses have created an institution to fund local services, since the city is too poor. Many of the standard municipal services are now being provided by people in green uniforms paid for by business.

In the area of transportation, new federal legislation provides for a federal-state-local partnership. As compared to previous legislation, the new law gives a greater role for metropolitan planning bodies and more neutrality between highways and transit facilities.

With regard to accountability, the suburbs tend to agree with the Reagan-Bush philosophy that local governments should be accountable and pay for the services they deliver. Academics, particularly those of the "public choice" school, have been recommending a much greater reliance on user-pay principles. The big cities, on the other hand, argue that they cannot be held accountable for the social and economic problems they are facing and so increased aid from other levels of government is essential.

The fiscal crisis of recent years has made efficiency and accountability a permanent part of the state-local debate. Earmarking and user pay schemes are becoming much more common. Osborne's book "Reinventing Government", which is full of public choice and contracting out proposals, is popular with both the Bush and Clinton camps.

There is a poor understanding by the general public about how local government works and who is responsible for what. There is a better understanding by municipal employees. The only growing unions in the US are in the public sector.

Relations between local governments and other levels of government depend on the issue. On the question of mandates, they are hostile. In some sectoral areas like highways, they are cooperative.

The federal government has been continuing to preempt state and local authority in the US. There has been more federal intervention in the last 20 years than in the previous 180. There

have, however, been some encouraging signs recently. Congress recently overrode a Bush veto and has restored local authority over cable TV. In the environmental area, there has been a recognition that the federal government should set minimum standards, allowing state and local governments the flexibility to upgrade.

The ACIR has done a number of projects on state-local fiscal relations. It will have a report in early 1993 on metropolitan governments, based in part on earlier reports on St. Louis and Allegheny County around Pittsburgh. It has reviewed, among other things, the efficiency of fire, police and educational services. It has noted areas where functional consolidation on a metropolitan level makes sense and how political accountability can be maintained.

**NOTES FROM MEETING WITH JOHN SHANNON,
SENIOR FELLOW, THE URBAN INSTITUTE,
CONSULTANT IN FEDERAL-STATE-LOCAL RELATIONS
AND FORMER EXECUTIVE DIRECTOR,
U.S. ADVISORY COMMISSION ON INTER-GOVERNMENTAL RELATIONS**

The United States, since 1981, has been in a period of "fend for yourself" federalism, which has elements of both entanglement and disentanglement. From 1953 until 1981, the United States had been characterized by increased fiscal centralism, when both federal and state revenue had grown faster than local revenue, and when both state and local governments became increasingly dependent on federal grants.

Since 1981, there have been two somewhat contradictory streams. The first has been fiscal and has led to progressive disentanglement. For the last 12 years, local revenues have grown faster than federal aid, state aid or state own-source revenue. From 1984 to 1990, while grants to municipalities grew by only 19 per cent, own-source revenues grew by 53 per cent. Much of this local revenue, however, has come through special purpose bodies in areas such as education, transit, waste and communications. In this period federal aid to cities declined, while federal aid to the states increased only because of legal obligations under Medicaid.

The other trend has been regulatory, leading to increased entanglement. As Congress and the states have run out of easy money, they require local government to do what they want through mandates and regulations, rather than through grant programs. In the "golden age" of rising government revenues in the 1960s and 1970s no one worried much about entanglement. Worrying about unfunded mandates has been almost entirely a post-1978 phenomenon. State and local officials have only become worried about entanglement since federal grants stopped increasing.

Today there is a new dialogue about political accountability and fiscal responsibility. There is much less talk about equity and social justice. Clinton has not been mentioning social justice but has been talking about helping the over-taxed middle class. He has been heavily influenced by Osborne's book "Reinventing Government".

In summary, there is now much more of a "layer cake", or disentangled approach to fiscal federal-state-local federalism, and much more of a "marble cake" or entangled approach to regulatory federalism.

Shannon suggested a more specific look at Minnesota, one of the most progressive states in the United States. There is an ongoing debate there about state-local relations. The Citizens' League has been reviewing state and local spending. It has argued that Minnesota has gone too far in sending aid to local governments to the extent that it was bankrupting the state. An equalization program for the Minneapolis area was too all-inclusive. Instead the League

argues that new delivery systems with more accountability are the only way to slow down runaway expenditures.

Shannon said the climate for disentanglement is best in a period of fiscal stringency -even liberals will accept it then. When the fiscal pinch is really onerous, fiscal disentanglement can even carry over into regulatory disentanglement.

He referred to recent experiences in Connecticut and New York. In Connecticut, as a condition of being able to impose an income tax, Governor Weicher was first required by the state legislature to cut state expenditures, including grants to municipalities. The municipalities, in turn, forced him to "defang" costly state mandates that had added to municipal costs. A very similar progression took place in New York when the governor was forced to the wall. As the mayor of New York City said "Reagan did it to the states, Cuomo did it to the municipalities, the municipalities did it to the taxpayers, but in the process managed to eliminate many state conditions". The disentanglement occurred because the taxpayers lined up with the cities against the actions of the federal and state governments which added burdens on the municipal taxpayers.

Shannon said he is not always sure that disentanglement is the best solution. Some ambiguity is needed in the system to deal with competing concerns. For equity purposes some fiscal centralization is necessary. One-third of the states fund 95 per cent or more of the cost of social assistance programs. In at least half of these states, social assistance is delivered by the counties. While in most states, the counties are under fairly strict state control, counties have become very powerful in a few states like California.

Shannon cautioned that California should not be used as a prototype in the social assistance area. While other states have been picking up all or a high per centage of welfare costs, California has been pushing down more financial responsibility for social assistance to the counties.

Shannon said that in his opinion it might be a good thing to let some private or non-governmental competition into the social service area, and contract out certain services. The government funding agency would still have to write the rules and be the prime contractor.

As the fiscal crunch tightens, more and more states have been willing to give more tax room to the municipalities. They have been refusing to increase grants, but increasingly have been permitting municipal sales taxes or a wide variety of new fees and charges. Most cities now have a much more diversified range of revenue sources than they had a decade ago, including sales and commuter taxes and fees and charges for many municipal services.

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